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ECONOMIC JOURNAL
VOLUME XIV



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THE ECONOMIC JOURNAL

MARCH, 1904

THE ARGUMENT FOR PREFERENCE

I WILLINGLY accede to the request of the Editors that I should "set forth in a few paragraphs" my views on the tariff question, because I am glad of the opportunity of directly addressing in the pages of the ECONOMIC JOURNAL the rather limited number of people who are in the habit of seriously considering economic questions—especially my colleagues, the academic teachers of Political Economy. By this time we must all realise that the question is likely to be with us for some years to come; and in the interest of the intellectual causes which we all have at heart, as well as of personal friendship and educational co-operation, it is most desirable that we should understand, if we cannot share, one another's position. To save roundabout periphrases, I shall adopt a frankly personal note in what I have to say.

1. Let me begin by making clear, what was not sufficiently emphasised in my little book on the *Tariff Problem*, that the starting point of my thought in this matter is the conception of the British Empire as it may be. This is a conception which can only in part be maintained by argument: it is like other great hopes and aspirations which plant themselves within us, we hardly know how, in the midst of the experience of life. I could give many a reason which to me seems sound for regarding the possible British Empire of the future as the mightiest of instruments for good, as the fairest hope of humanity: but such reasoning would leave the critical and unsympathetic understanding quite cold. Still, it must be allowed that to one who feels as I do, the thought of the break-up of the Empire must be infinitely painful. And that the Empire will split up within the

next few decades if things go on as they are, I no more doubt than I doubt the sun's rising to-morrow. I cannot conceive that History can have any lessons at all for us, if this is not one of them.

I recognise to the full that there are some who cherish what they think an equally noble ideal—the ideal of an Anglo-Saxon federation, which shall include all the English-speaking peoples. It was an unanticipated result of my residence in America that in me such a hope soon faded away. The great mass of the American people has no such sentiment of kinship with England as can counteract the effects of political conditions: they really feel themselves autochthonous. And when it is asked “Do you actually care for ‘the motley of races’ included within the Empire more than for the people of our own stock separated from the Empire in North America by an imaginary boundary?” I have to reply “Yes—in this sense: the United States ‘will gang its ain gait,’ let us do what we will; it will pursue what seem its economic interests however they may conflict with ours, from the necessities of the situation: it has its own terrible problem, the position of the negro race, to deal with; its own distant possessions to bring under control: in these things we can neither hinder nor assist. But the peoples still within the British Empire are peoples for whom we are still in a measure responsible; and something better can be made of the self-governing colonies than a set of second-rate States, shivering beneath the shadow of the two great empires of the future.” For this appeal to political considerations, I make no apology: the example of Adam Smith and the term “*political* economy” are a sufficient defence.

2. The only likely way that I can see to bind the Empire together is a preferential trade policy. There are enormous difficulties in the way, and I am not absolutely certain that they can be overcome. But then one cannot be absolutely certain that they cannot be overcome until the attempt has been made. The object is so surpassingly great that nothing but absolute certainty of failure ought to prevent our taking the first tentative steps. And the way to meet the preferential proposal is to propose some alternative means of reaching the same end which shall be visibly more practicable.

3. The proposal obviously involves a certain restriction of commercial freedom: and when once it had been made in such a way as to command the attention of the nation, it became the duty of economists to reflect on the large problems it is sure to

raise. First of all as to "freedom" in general. I had supposed that by this time economists of all schools had agreed that "freedom" was not a word to conjure with. Individuals free to pursue their own interests are the postulates of certain lines of reasoning which all economists are accustomed to follow in greater or less measure. But I had supposed that we all now felt that the process of economic history has been something more complex than the growth of individual liberty; that it has been equally the growth of orderly control; that in one period there has been need for a breaking-forth of the individual, at another for the strengthening of social regulation.

When we look back on the nineteenth century, it is so very apparent that "freedom," as the older economists conceived it, altogether failed in one part of the economic field—the employment of labour—that it can hardly be supposed to have a strong presumption in its favour in any other part of the field. Indeed, when we observe that "free trade" was preceded by the "freeing" of internal industry from earlier restraints, we can hardly be surprised if the subsequent creation of an elaborate system of controlling industry by factory legislation and the like should now be followed by an attempt to control trade also in the public interest. And though these considerations will not lead us to accept wholesale and without thorough discussion any particular set of tariff proposals, they ought to suggest hesitation before refusing to consider them. The lesson of the social legislation of the nineteenth century to the champion of economic "freedom" is the lesson of Cromwell to the Scotch Covenanters: "Think it possible you may be mistaken."

4. The supposed presumption in favour of unrestraint ought, it would seem, to be still further weakened by that historical spirit which has recently made its way into economic thought. I should not have supposed that among trained economists any would longer have been found to argue that free trade has created British commercial supremacy and *therefore* should not be interfered with. We all know that Free Trade did but confirm and maintain for a time a supremacy which had come into existence under a different régime. How far freedom, how far control—how far the achievements of peace, how far the achievements of war—gave England its position it would be difficult, if not impossible to say; but there is at least as much reason for List's view that England abandoned protection in 1846 because it had by that time gained from protection all it could then yield as for the commoner view that our prosperity (such as it has been) has been

the result of our free trade principles. And if one realises that free trade has not made us, one no longer has a nervous dread that any departure from it will surely mar us.

5. A similar infusion of the historical spirit must have shown us that most of the facile comparisons with other countries to which the controversialist resorts are of no real value. If the United States furnishes no *primâ facie* argument for protection, because it started on its manufacturing career with such enormous advantages, Germany presents no *primâ facie* argument against it, because it started under such enormous disadvantages.

6. We ought thus, in my judgment, to be able to approach the more concrete questions raised by the new proposals without presumptions for or against. In reference to Great Britain itself the fundamental problem is the relation of the preferential proposals to the present tendencies of our industrial life. I say "tendencies"; because the historical spirit has taught us to lay emphasis on the larger currents of development, as indicated by evidence covering considerable periods of time, rather than on the circumstances of the moment. The evidence with which one naturally begins is that concerning foreign commerce: partly because that has also been the practice of the optimistic free traders until very recently; partly because the information is far more accessible than that for the home trade; partly because, for a country dependent on imports for its food and raw materials, foreign trade is indeed vital.

7. The excess of imports over exports is the first fact that confronts us. As I have prescribed Sir Robert Giffen's essay to pupils for many a year past, I am not likely to have any difficulty about accepting his explanation—freight and investments. Put into other language, however, this means that we are dependent upon the earnings of our foreign investments and of our shipping to pay for a large amount of our necessary imports. And this dependence is a growing one. How enormously and suddenly our visible exports began to fall below our visible imports in the middle of the 'seventies is visible to the eye when one looks at such a chart as that in Mr. Bowley's *Statistics*, p. 190. And even since Sir Robert Giffen's essay in 1881 the figures have been increasing positively and relatively. For the six years 1875–1880 the excess was some 120 millions; then for some years it fell off; the Fiscal Blue Book figure for 1893–1902 was 161; for the three years 1901–3 it was 184. At Sir Robert Giffen's earlier period the extent of our dependence on other ways of paying for goods than by exports was hardly more than one fourth; it is now almost one third.

8. Reserving this point for later mention, I pass next to the "visible" exports. The conclusion is what we all know—though we may put it into different language. The Fiscal Blue Book chart (A. III.) fortunately makes it possible to dispense with descriptive language of my own; and to correct abnormalities of particular years I accept the results of the most approved modern methods as presented in the chart in Mr. Bowley's *Statistics*, p. 151.

9. From "correcting" such figures or diagrams by an appeal to prices, I am withheld partly by grave doubts as to the significance of such "adjusted" figures when obtained, partly by reluctance to destroy the case for Free Trade in 1846. For I observe that the chart prefixed to the Fiscal Blue Book marks a fall of prices after 1815 roughly parallel to that after 1873—a circumstance apparently unknown to Cobden when he drew up the Manchester petition.

10. Among the exports, I turn to the two great groups of commodities upon which the commercial greatness of England rested in the middle of the 19th century—the textiles and the iron and steel manufactures. The statistical material on this head I find worked out with exceeding care, not by any historian of doubtful logical powers but by the veteran leader of the more theoretical school of German economists, Professor Adolf Wagner, in a chapter in his *Agrar- und Industriestaat*. It is true it forms part of a protectionist argument; but no one who is acquainted with Professor Wagner's career and with his championship of social reform in the teeth of the plutocratic "industrials" will suspect him of any leaning towards "capital." His book was written before the present controversy began; and I must confess that, admiring the man and writer so much, it was with something of a shock that I found he was able, with any decent pretence to argument, to use England as an "awful warning" to the German people. In both the textile and the iron industries, as Professor Wagner shows, there is an increasing difficulty in maintaining the position already reached; in certain directions a positive decline. Hence I conclude, that as the total exports are still growing, our trade must be increasing more rapidly in other directions.

11. The first of these is the export of coal. And this at once suggests ideas derived from my old economic masters—*e.g.* from Jevons' *Coal Question*, and confirmed by the most orthodox of later economists, *e.g.* by Mr. Courtney in his presidential address to the Statistical Society in 1897. So far as our coal

exports are composed of steam coal, I listen to what the mining and geological experts tell us about the probable duration of our supply.

12. Another direction is to be found in the exportation of commodities produced by poorly paid and low grade labour in our large towns. As to the facts concerning such labour I rely necessarily on Mr. Booth's great work, and especially on Mr. Aves' chapter therein on the "advantages of London" (new ed. vol. V. p. 84), with which agrees the description in Mr. Masterman's chapter in *The Heart of the Empire*. Certainly we want more information on the subject; but the export figures, taken in conjunction with Mr. Aves' chapter, give us at any rate *primâ facie* grounds for perturbation. The almost complete absence of combination among such workpeople is itself a disquieting fact to one who looks on unionism as an instrument of industrial improvement.

13. These being some of the salient facts concerning our foreign trade I turn to orthodox economic theory to tell me their significance, and I make my way at once to the Ricardian doctrine of international trade. According to that doctrine, a country tends to export those things in the production of which it enjoys the greatest relative advantage. The British advantage for some time to come in the matter of coal (at any rate of steam coal) is evident. And as to the products of low-priced labour, the striking phrase in Mr. Aves' chapter, "the regrettable strength of the economic position," can obviously be extended from London in its relation to the rest of the country to Great Britain in its relation to America and the Colonies. The same idea will be found worked out at some length in Appendix II to Mr. and Mrs. Webb's *Industrial Democracy*, and in their section on "parasitic" trades. From the point of view of pure theory I do not see how one can dissent from the conclusions of these writers as to the "supply of the world market." "Every expansion of the rival export trade" (e.g. of "the wholesale clothing contractor") "tends to elbow out other sales to the foreigner: it may well be, therefore, to restrict the export of hardware, machinery, and textiles." It is true that, instead of tariff measures, Mr. and Mrs. Webb urge the policy of a national minimum wage. Whether this is more practicable may be doubted; but it is to be hoped that those who follow the economic guidance of *Industrial Democracy* will make quite clear what their alternative really is.

14. In further considering the relative advantages of Great Britain and (let us say) the United States, I turn again to the standard text-books (*e.g.* Marshall, *Economics of Industry*), and reflect on what they say about "the law of increasing returns." This, especially taken in conjunction with recent trust phenomena in America, does not reassure me; and as production is limited by the market, it would seem to me that, other things being equal, a country which was secure of its home trade, and had free access to a large foreign market would be able to manufacture more cheaply than one whose home market was insecure, and whose foreign market was being closed to it. The greater cheapness of production thus enjoyed may conceivably more than counterbalance that higher cost of production in other directions which every observer knows has been brought about by protection in the United States.

15. Moreover, I perceive that "cost of production" in relation to the price of exports needs to be reformulated, or widened, to include the phenomenon of "dumping." For the rationale of dumping I turn to the best book on railway rates, that of President Hadley (1888); and learn that a phenomenon which begins with the old woman's apple stall grows in its importance with the fixation of capital. Evidently dumping may completely dislocate and ultimately ruin a trade. Hence, (1) as English dumping led to protection in Germany, it does not surprise me when American dumping causes England itself to turn to preservative measures; (2) I remember Adam Smith's reflections about "humanity"; and (3) the fact that the industry most threatened in the near future is the steel trade, reminds me also that Adam Smith placed "defence" before "opulence."

16. Returning now to the other elements which make up the "balance of trade"—returns on investments and the earnings of shipping—I ask myself whether a country which depends on these so largely as ours does is in a secure position. I recall Adam Smith's statement in 1776 that "the Dutch are the great carriers of Europe," and his remarks about "the great property" which they possessed in the funds of other countries, and "the great sums" which they lent to foreigners. No historical parallel is ever anything like complete; and yet such precedents as we have seem to show that such a position is (1) peculiarly vulnerable, and (2) the reverse of invigorating for the industrial population. Recent phenomena, alike in British *entrepôt* business and in British shipping (see *Tariff Problem*, ed. 2, pp. 215-240),

suggest that both are in large measure the outcome of an independent industrial activity, and cannot be counted upon to survive it.

17. Accordingly I come back to the "visible" exports and seek to learn the geographical directions in which they have been dwindling, and those in which they have been expanding. The "summary tables" on pp. 16, 17 of the Fiscal Blue Book—with all their necessary imperfections on their heads—indicate pretty clearly that we are to expect expansion mainly in our colonial trade, unless it also is checked by further colonial resort to protection. Such further resort to protection, however, is only likely to be abstained from in return for preferential advantages granted by the mother country. And thus political and economic considerations converge in favour of a preferential policy.

18. In considering the effect of such a policy on the great colonies, two reflections suggest themselves. First, in so far as the benefits it offers may induce them to avoid the evils of high protection, it will secure for them in a measure the benefits of the greater liberty of exchange desired by the free-trader: and there may even result a greater average freedom of commerce throughout the Empire than would exist with Great Britain absolutely open and the colonies highly protected. Secondly, in so far as a preferential arrangement leads to the growth of the agricultural, and especially of the small farmer population, it would accomplish a purpose which has always been dear to the colonial Radical.

19. In considering the effects on the mother country I set the possible expansion of our colonial trade and the greater stability of the industries which will manufacture for it, over against the possible increase for a time in the price of certain commodities. Moreover, in regard to the most important of such commodities, viz. wheat, it seems to satisfy the conditions under which, according to the general consensus of economic authority before the fiscal discussion began, some part, at any rate, of the duty will be borne by the foreigner. For the fact of this consensus I rely on Professor Edgeworth's article in this JOURNAL (IV. 43), and on Professor Seligman's book on the *Incidence of Taxation*.

20. For reasons implied above, and for other reasons, which cannot be got into "a few paragraphs," I am strongly in favour of such tariffs as may be needed for preferential purposes. I am

similarly in favour of the highest tariffs that may be required temporarily to keep in existence industries necessary for our political safety until a secure market can be found, or until the unity of the Empire is so real that their transference to other British lands will not weaken our place among the nations. I see no theoretical objection also to tariffs for negotiation purposes; circumstances may occasionally arise in which they can be adroitly and effectively used; though, as the intention of foreign tariffs is not usually to hurt this country but to build up domestic industries, I look for no large success in this direction. But I have no relish for an all-round protective tariff for protection's sake—in the usual sense of protection. The ordinary free trade arguments still possess their pristine force, unless where adequate counterbalancing considerations can be urged. If the creation of a system of imperial preference is unfortunately accompanied by rather more of the protectionism of the man in the street than is requisite, I shall view it with the same sorrow as a convinced free-trader views some of the concomitants of a free trade policy, such as the destruction of particular branches of industry. But I shall attribute the blame at least in part to those free-traders who are too *intransigent* to give an imperial preferential policy a discriminating support.

21. As to the dangers of political corruption, they are evident; but the wisdom of incurring them depends on the greatness of the object. Most of the language used in this connection strikes me, however, as exaggerated: it sometimes implies that the English Parliament under free trade has been quite free from the presence of trade interests; and it derives its examples too much from America and too little from Germany.

Perhaps the Editors will allow me space to make one further observation. And that is that, hitherto,—or so it appears to me,—the free trade economist has limited himself too much to the rôle of critic. Is it not fair to ask him to assume a more constructive part? I want no distant prophecy; but I think we are justified in inquiring what,—given the data about which we do not really quarrel and given the general “truths” of Economics,—is his forecast of the likely trend of English industry in the near future. Is it his view that things will go well with us under free trade, or is it that a departure from free trade will only hasten a decadence which is bound in any case to set in? He will also render some of us really grateful, if, in language understandable of the people, he will indicate the bearing of the

doctrine of international trade upon existing conditions of production in Great Britain and the United States, especially in the steel industry. And it may be added that the theory of foreign investment in its relation to domestic industry has been left by the older English writers, and still remains, in an unsatisfactory condition.

W. J. ASHLEY

THE GENESIS OF THE GERMAN TARIFF

IF one were concerned to advance analogies between the national and economic circumstances which were the occasion, if not the cause, of Germany's return to Protection in 1879, after the very briefest trial of Free Trade, and the fiscal controversy which will long make the year 1903 memorable in England, the task would be easy and not altogether uninteresting. Two parallel events may be singled out. Germany, like England thirty years later, had emerged from a war which, though successfully waged, had proved a severe drain upon her economic life, had disorganised many of her trades and industries, and had left her with much lost ground to make up. Then, again, that war had not long been concluded before there followed a period of commercial depression, which was felt all the more severely since the country's great need was rest and recuperation. That depression reached its climax in 1876 and 1877, when industry stood still and labour walked the streets idle and discontented, but the crisis had been ripening for several years, ever since, in fact, the unprecedented stimulus given by the war to industry, finance, and enterprise generally had become exhausted. Up to 1870 industry had developed gradually but steadily and on healthy lines. Thus the production of pig iron within the area of the Zollverein was, in 1864, 905,000 tons. By 1869 it had grown to 1,413,000 tons, and, though it fell during the year of the French War to 1,391,000 tons, it had by the year 1873 reached 2,241,000 tons. Labour, too, had concurrently improved its status. It has been said that in the Paris insurrection of 1848 no single workman with a savings bank book was seen on the barricades. On that principle the accumulated investments of the Berlin working classes in 1871 might have indicated a tolerably contented as well as a tolerably prosperous condition, for nearly three million thalers (equal to £450,000) stood to their

credit in the State savings banks and five and a half million thalers (or £675,000) a year later. . .

After the war industry took a great bound forward, similar to that which followed when the pressure of the War of Liberation, with its terrible drain upon the physical strength and the financial resources of the nation, was relieved early in the century. To the natural influences which favoured an awakening of economic life came the influence of the French milliards, which, thanks to the wonderful elasticity of the conquered nation, were paid over long before they had been expected, and which had to be expended far too precipitately for Germany's good. Prince Bismarck once spoke of the indemnity as an acute embarrassment for the time being, and a thoughtful German writer has said :—" It broke over us like a water-spout, carrying great devastation everywhere, whereas if it had fallen gradually, in the course of time, and in small quantities, it might have been beneficial in an extraordinary degree." The dispersal of the milliards upon railways, fortifications, and public works and buildings of various kinds gave for a time great impetus to industry, and the iron and steel trades especially expanded enormously, but the eventual reaction caused wholesale disaster.

For a long time money was plentiful and abundant facilities for spending it were not lacking. Speculation reached wild limits; company promoting became the recognised royal road to wealth; and the notorious *Gründungsära* had the same sinister ending as the South Sea Bubble of our own annals. It was not long before credit became disorganised, money became hard, the bankruptcy court was crowded by unwilling suitors, and wreck and ruin were created wholesale. Many fortunes were made in that mad scramble for wealth, but far more were lost; good reputations were compromised and forfeited by the score, but none were created. During the three years 1871 to 1873, 843 new public companies were formed in Prussia, or more than four times the number which existed at the formation of the Empire. Of these companies a large number were rotten from the beginning, and soon found their way into liquidation, while in many other cases disaster was only staved off by the reduction of capital, often to the extent of 50%. It was found later that of 196 companies which reduced their capital between 1874 and 1879 no fewer than 148 originated in the "flotation era."

And if capital suffered, so also did labour. For a time the working classes had shared in the general enrichment. Employment was abundant, wages increased, and with larger earnings at

their disposal the labourers suddenly developed a consuming capacity unknown before, insomuch that large food imports from abroad were needed to supplement the production at home. As wages had gone up with a bound, however, so they came down with a crash, and the absolute and permanent gain to labour from a period of artificially inflated prosperity was very small. It is fair to remember that the following words of the Conservative historian, Professor Heinrich von Treitschke, written in 1874, relate to the Free Trade era, and describe the condition of the labouring class before the economic *débâcle* of 1875 to 1877 :—"The transformation of our national economy has given to the working class a great increase of wages, without parallel in German history. Therewith they secured, as aforetime the English working classes, the possibility of permanently improving their standard of life, and of approximating more nearly to the habits of the middle classes."

Finally it is to be noted that simultaneously the products of German manufacture had fallen into a certain disrepute all over the world. In the Philadelphia exhibition of 1876 German exhibits took great prominence, and deep was the mortification when Professor Reuleux, who had been commissioned by the *National Zeitung* to report upon them, summarised his impressions in the memorable phrase "cheap and bad" (*billig und schlecht*). There was nothing new, however, in the accusation save its mordant utterance and the untoward circumstances which evoked it. The consular reports of the period all witness to the same thing, and some months before warning came from Philadelphia the *Imperial Gazette* (March 10, 1876) had seriously reviewed the complaints which had long been accumulating from foreign and especially trans-oceanic countries of inferior goods, declining sales, and lost markets. A little later the *Preussisches Handelsarchiv* proclaimed* the same disconcerting fact in periods which spared neither the pride nor the feelings of those concerned. German trade, it said, had forfeited its reputation not only for efficiency but for honesty. The textile stuffs sent abroad were made contrary to the samples ordered; they were exported deficient in measure and weight; qualities were mixed; and in general they were coarse, clumsy, and tasteless. And coming to comparisons it asserted:—"The German no longer possesses the capacity of the English manufacturer, who is able to make even cheap goods so efficiently, and to turn

them out so attractively, that large repeat orders are regularly given, whereas the German executes commissions of the same kind so faultily that he is seldom able to secure a second order." Moreover, "the Englishman is always ready to consider a merchant's legitimate complaints, while the German will never make compensation for loss suffered." In reply to these and similar complaints, the manufacturer pointed to the unprotected frontiers. "How can we compete abroad," he asked, "with an older, richer, and better equipped rival like England, so long as even our home market is not preserved to us and we are compelled to sell to the foreigner, by hook or by crook, in order to dispose of our production at all?" Faults which were entirely due to remediable inefficiency were thus attributed to the prevalent fiscal system, and were made a further count in the growing indictment against it. Reading the literature of the time, one notices how great was the influence of the "protection of young industries" argument in converting even theoretical Free Traders to the advocacy of temporary measures of protection, in view of the peculiar condition of economic life. They regarded such measures as useful educationally, and their purpose once achieved they assumed that they would promptly be discarded as superfluous and even dangerous. That there was then and later ample room for improvement is shown by a capable German critic of the Berlin Industrial Exhibition of 1879:—"While we are able to detect with joyous satisfaction the progress and the high degree of efficiency which some of our products have attained, on the other hand other departments of the exhibition remind us clearly of the great work which yet lies before us before we can come abreast of our neighbours."

But such being the economic condition of Germany in the early 'seventies, and remembering that these years had marked the first clear departure from Protection, what was more likely than that, reasoning *a priori*, so far as reasoning can be said to enter into the judgments of persons who believe themselves to be suffering from injustice, the industries and interests which had fallen on evil days should have united in casting the blame on the new-fangled policy of Free Trade? And Free Trade being responsible for their misfortune, where else could a remedy be found save in a return to the discarded Protective system?

Add to this that the "national" cry was then in the air, as with us the cry of "Imperialism" to-day. Germany had just become a nation, so let her institutions be made truly national

as well; let her become independent economically as well as politically, a self-controlled, self-supporting Empire! To that were evidently necessary an all-sufficient industry and an all-sufficient granary, and these, argued the nationalists, could only be supplied if industry and agriculture were effectively protected against foreign competition. Nor can it be denied that if Protection could be judged capable of rescuing the economy of the country from its apparent condition of decadence, there were reasons specious enough to justify its advocates in demanding that the attempt should be made.

And yet when at last Prince Bismarck resorted to Protection it was under the spur of financial necessity rather than of economic conviction. No one who has waded through the Parliamentary proceedings of that time can resist the conclusion that the reform of Imperial taxation was the Chancellor's underlying motive, and that this reform of taxation was primarily undertaken with the object of providing the Empire with a sufficient independent revenue, so that it need no longer rely on the States and their Legislatures. In the forefront of domestic needs he had for years placed fiscal reform. "The entire reform of taxation, inclusive of the customs duties—who does not wish it?" he said in the Reichstag on November 22nd, 1875. "But it is a Herculean work which one must have touched experimentally as a comparative layman in these matters, such as I am, in order to really comprehend its difficulties." Moreover, so long as the pressure of foreign questions continued, it had been impossible to essay this great task, inherited from the very establishment of the Empire.

The Imperial constitution adopted in 1871 had provided that in so far as the expenditure of the Empire was not covered by revenues set apart for its special use the deficiency should be made up by contributions from the Federal States according to population. These were known as matricular contributions, and their aggregate amount was fixed each year in the Imperial budget. Prince Bismarck always chafed under this system of State maintenance, which he regarded as undignified and as partaking of the character of a species of poor relief, while at the same time holding that the disproportionate incidence of the matricular contributions created a rightful feeling of injustice and inequality on the part of those populations which bore too large a share. It was undignified, because it made the Empire and those responsible for the transaction of its affairs dependent

upon the good will of the various States, which meant in the last resort the humour of their Legislatures and the caprice of the electors. It was unjust, because it was based on taxation according to population, irrespective of the considerations of wealth and ability to pay. As early as 1872 (May 1st) he had told the Reichstag, when speaking of the salt tax:—

“The position of the Imperial Chancellor is primarily determined by the consideration whether the political condition of the Empire would be made better or worse by the abolition of an Imperial tax, and whether the responsibility to the Empire, which rests upon him is so heavy as to compel him to resist its abolition on political grounds. I regard the Empire’s independent revenues as so important that I do not believe a Chancellor conscious of his responsibility, and actuated by a proper concern for the stability and development of the Empire, could consent to the diminution of these revenues unless an adequate substitute were provided. Dependence upon other taxes is problematic, and dependence upon matricular contributions I cannot accept at all. The great cement of a strong common financial system is lacking to the Empire so long as it is founded only on matricular contributions. That these contributions fall unequally is a question of justice, but to diminish them is in my opinion the task of a well-considered Imperial policy.”

Further, Prince Bismarck was powerfully influenced by his conviction, in which he never wavered, of the inexpediency of direct taxation, and the political wisdom as well as the personal convenience of the policy of raising revenue by indirect means—on the one hand by financial customs duties, and on the other by excise dues on articles of internal production and consumption. A volume would be taken up by the speeches which he made in the Reichstag alone upon this, one of his favourite themes. For years the basis of taxation in Prussia had been the land, income, class, building, and trade taxes, all of which had existed since 1861, and several for a much longer time. For not one of these taxes had Bismarck a good word to say, and if he never made any serious attempt to abolish them, it was because he saw no hope of obtaining a satisfactory equivalent elsewhere. His idea, however, was indirect taxation as far as possible, and direct taxes on income and capital only to the extent that they fell upon the very rich, and even then only by way of public recognition of their splendid material isolation from the rest of their fellow-men. His own term for imposts of this kind, so

emphatically partial and class in character, was "honorary taxes" (*Ehrensteuer*).

Nothing can be clearer or more indisputable than that up to 1878 Prince Bismarck and the Federal Government entertained no idea whatever of industrial and agricultural Protection. The revision of the tariff was already determined on, but the revision was to be undertaken solely in the interest of revenue; the duties to be imposed or increased, as might happen, were to be regarded as fiscal not protective duties.

In August the Finance Ministers of the various States met in conference at Heidelberg, and here likewise the same views were represented, the same intention adhered to. Their report merely recommended the increase of the Imperial revenue by means of a tobacco duty and of duties on certain suitable fiscal articles.

It was at this point that the question was taken out of Bismarck's hands, to be developed and settled in a way which he had hitherto never seriously anticipated. For the party of reaction in the Reichstag had meantime been active. They recognised that the moment was propitious for a return to the policy discarded under the influence of Minister von Delbrück, and thanks to the promptitude, urgency, and vigour of their interposition they were able to create the impetus which sent the Chancellor, while still wavering with open mind, clear across the border line which divided fiscal from protective policy.

The political portents of the time were favourable to reaction. The re-election of the Reichstag which followed the two attempts of May 11th and June 2nd, 1878, upon the life of the Emperor William I., placed the Liberal fractions in a minority. The two Conservative groups numbered 78 in the House of 1877, 116 in that of 1878, and while the National Liberals fell from 128 to 99, the Radicals and the Socialists fell from 51 to 36. The Ultramontane Centrum, the most unvarying of all parties, added one to its earlier 93. Liberalism was in bad case. The Conservatives and Clericals alone would have outnumbered the popular parties and the mildly progressive National Liberals combined by 75 votes (210 to 135), even had a grouping so favourable to Liberal policy been possible. It soon appeared, however, that Free Trade would have to contend against odds far more desperate, which made the issue of the fiscal encounter from the very beginning a foregone conclusion. In the course of the new session 204 Conservative, Clerical, National Liberal, and other deputies, forming a majority of the House,

consorted in the "Free Economic Union of the Reichstag" with a view to deciding upon joint action on the impending fiscal reforms, and on October 17th they published a formal declaration of Protectionist faith and policy. This declaration was believed to have previously received the sanction, and it was certainly issued with the knowledge, of the Imperial Chancellor, whose hand it unquestionably strengthened.

While the country was pondering the significance of this unexpected move, and was wondering what would happen next, Prince Bismarck was in busy correspondence with Baron von Varnbüler, a prominent member of the Economic Union, and formerly a Würtemberg Minister, who had sought the formal avowal of his views and intentions. Writing on October 25th, Bismarck informed his correspondent that it was "certainly my intention to proceed to a thorough revision of our customs tariff, and in the first place to lay proposals before the Federal Governments for prior examination. The preparations to this end have already begun. I shall not be prepared to consider the conclusion of new commercial treaties with conventional tariffs until the revision of our tariff is completed."

Accordingly the Chancellor on November 12th brought the question before the Federal Council, which at his proposal appointed a committee of 15 members to revise the tariff and to call in the aid of such experts as they might desire to consult in so doing. In justifying this course Prince Bismarck now frankly avowed his acceptance of the Protectionist position, though his first public utterance on the subject was contained in a letter of December 15th which he addressed from Friedrichsruh through the Federal Council to the Revision Committee before it began its work.

"For myself the interests of financial reform take the first place," he still took care to say, "the diminution of the weight of direct taxation by the increase of the revenue of the Empire which is based on indirect taxes. How far Germany lags behind other States in the financial development of its customs system is shown by the accompanying comparison, and this comparison would show Germany in a still more unfavourable light if to the revenues from customs and duties credited to Austria, Hungary, France, and Italy were added the sums which these States levy in the form of a tobacco monopoly, instead of a duty on foreign tobacco, and those which are raised for the benefit of the communes as *octroi*. It is no accident that other great States,

and especially those of a very advanced political and economic development, seek by preference to cover their expenditure by the proceeds of duties and indirect taxes. . . . In the greater part of Germany the direct taxes, including the commercial imposts, have reached a height which is oppressive and appears to be economically unjustifiable. The people who suffer most from them at present are those members of the middle class whose income ranges up to 6,000 marks (£300). . . . Should the taxation reform which I regard as necessary offer ameliorations that reach to this limit, it must begin with the revision of the customs tariff on as broad a basis as possible. The more productive the customs system is made financially, the greater can and must be the relief in direct taxes, for it is self-evident that the increase of the indirect revenues of the Empire cannot imply an increase of the aggregate burden of taxation."

"I leave undecided," proceeded the letter, "the question whether complete mutual freedom of international commerce, such as is contemplated by the theory of free trade, would not serve the interests of Germany. But as long as most of the countries with which our trade is carried on surround themselves with customs barriers, which there is still a growing tendency to multiply, it does not seem to me justifiable, or to the economic interest of the nation, that we should allow ourselves to be restricted in the satisfaction of our financial wants by the apprehension that German products will thereby be but slightly preferred to foreign ones. The existing Verein tariff contains, together with the purely fiscal duties, a series of moderate protective duties intended to benefit certain branches of industry. The abolition or decrease of these duties does not appear advisable, especially in the present position of industry. Perhaps, indeed, it would be well to reintroduce duties on a number of articles or to increase the present rates in the interest of various depressed branches of home industry, in accordance with the results of the investigation now in progress. Yet protective duties for individual industries, when they exceed the limit imposed by regard for their financial proceeds, act as a privilege, and arouse on the part of representatives of unprotected industries the antipathy to which every privilege is exposed. A customs system which secures to the entire home production a preference before foreign production in the home market, while keeping within the limits imposed by financial interests, will not run the risk of this antipathy. Such a system will in no way appear partial, because its effects

will become more equally spread over all the productive circles of the land than is the case with a system of protection for isolated branches of industry."

Early in the following year a bill was laid before the Reichstag on lines recommended by the Tariff Committee of the Federal Council, and the Chancellor, with unwearied energy, consummate tact, and marvellous resource, himself piloted it safely through the more than usually stormy waters of Parliamentary debate.

In the speech with which he opened the discussion on the Bill on May 2nd, 1879, he said:—

"The more I have gone into the question the more have I become convinced of the necessity and the urgency of reform. The present condition of German finance—by which I mean the finance not only of the Empire but of the individual States as well—is such that in my opinion it imperatively calls for a speedy reform. The first motive which impels me in my political position as Imperial Chancellor to enter upon such a reform is the need of the financial independence of the Empire. This need was recognised when the Imperial Constitution was drawn up. That Constitution presumes that the system of matricular contributions should be a temporary one, and should only last until Imperial taxes were introduced . . . Certainly it is undesirable that the Empire should be a burdensome boarder or a dunning creditor, while it might be the liberal provider of the individual States if only proper use were made of the revenues which the Constitution put in the Empire's way, yet which hitherto have been disregarded. To this state of things I maintain an end should be put since the matricular contributions are unjust in their distribution. . . . The consolidation of the Empire after which we all strive will be furthered when these contributions are replaced by Imperial taxes; it would not lose if these taxes were so abundant that the individual States received from the Empire instead of giving to it, as hitherto, in a way not always computable and at the same time inconvenient.

"A second reason why a change of the present system seems necessary lies in the question, Is the burden which must necessarily be imposed in the interest of the State and the Empire, imposed in the form in which it can most easily be borne, or is it not? This question must, according to my conviction, be answered in the negative. . . . The Federal Governments are convinced that indirect taxes—that source of revenue so long

neglected: by the Zollverein—are the form in which the burden that we may have to bear will fall most lightly.”

And turning to the question of protection for industry, he continued:—

“It is a reproach to our existing legislation . . . that the incidence of our indirect taxes does not afford to our national labour and production the measure of Protection which can be given to it without danger to the interests of the community. I am not going to enter into any contention about Protection and Free Trade. Hitherto we have all been Protectionists, even the greatest Free Traders amongst us, for no one has been wishful to go below the present tariff, which remains moderately protective, and such is also the proposal that we make to you. We ask for a moderate protection of national labour. We are far removed from any system of prohibition such as exists in most neighbouring countries, as, for example, in America, which was formerly our principal buyer, where the duties average from 60 to 80 per cent. *ad valorem*. All that we propose by way of Protection keeps within the limits of financial taxation except where the omission of higher duties would entail great present injury upon large classes of our fellow citizens.”

Casting doubt upon the probability of any further Free Trade development for years to come, he added:

“The only exception is England, and that will not last long. France and America have both completely forsaken that direction. Austria, instead of reducing its protective duties, has increased them; Russia has done the same, not only through the gold coinage, but in other ways. Therefore no one can expect Germany to remain permanently the dupe of an honest conviction. Hitherto the wide-opened gates of our imports have made us the dumping-place (*Ablagerungsstätte*) of all the over-production of foreign countries. At present they can deposit everything with us, and their goods, when once in Germany, have always a somewhat higher value than in the land of origin—at least our people think so—and it is the surfeiting of Germany with the over-production of other lands which most depresses our prices and checks the development of our industry and the restoration of our economic condition. Let us close the doors and erect the somewhat higher barriers which are proposed, and let us see that we at any rate preserve the German market—that market which, thanks to our good nature, is now exploited by foreign lands—for German industry.”

It is superfluous to follow the fortunes of the Tariff Bill before it emerged from debate, a completed measure, very much in the form proposed by the Government; whose difficulty in the then constitution of parties was not to persuade the Reichstag to adopt Protection sufficient, but to persuade it to be moderate in its demands. It was inevitable, too, that interest should have played against interest in the universal scramble for gain. Referring to the insidious way in which this was done, Professor Walther Lotz writes: "Deputy Flügge characterised the negotiations which led to the increase of the majority and to the strengthening of Protection in words which are very familiar: 'If (he said) the members present were behind the curtains of the House during the negotiations over the iron duties, then perhaps they had the same experience as I when I saw the "honourable brokers" come in. The one bid "If you will give 50 for rye I will give you a full iron duty," or, "If you will reject von Weddell's amendment I will give you the rye duty," and so forth. Gentlemen, one doubted at the time whether one was not in the Leipzig-street rather than in an otherwise so honourable assembly as this.'" Lotz himself adds: "Eye-witnesses assure us that very American-like methods were used at that time in the land of poets and thinkers, that in order to strengthen the majority for the entire tariff protective duties were bandied about very liberally so long as the desire for them could be realised without offence to powerful interests. It was said indeed upon the Opposition side that the German Hamlet had become a Richard III."

The Bill received Imperial assent on July 7th, 1879, and under it a portion of the new tariff came into operation at once, in part on October 1st, 1879, and the remainder on January 1st, 1880. All the duties imposed were intended to be revenue-producing, though some articles were singled out for special taxation on account of their proved productiveness, such as Colonial goods, and especially coffee and tea, with petroleum, tobacco, wines, and spirits. The duties which were new or rather re-introduced included those on corn, iron, timber, and petroleum, and while industrial articles were as a rule taxed there were certain important exceptions, such as materials employed in the building, repair, and equipment of ships; including their utensils, raw material required in the textile industries, including cotton and wool, also ores, earths, and precious metals.

How; the tariff which in 1879 was commended for its moderation, reasonableness, and sufficiency came to be revised in a still more protective spirit in 1885, 1887, and again, and more drastically than ever, in 1902,—being tempered only by the commercial treaties of 1892–1894, which expired at the end of last year—is an episode which forcibly points the commonsense of that excellent but disregarded maxim, “It is the first step that counts.”

WILLIAM HARBUTT DAWSON

THE FISCAL QUESTION AND THE EXPERIENCE OF THE AUSTRO-HUNGARIAN EMPIRE

It is obvious that the question, whether a preferential policy, as proposed by Mr. Chamberlain, is likely to draw closer the bonds between the different parts of the British Empire, does not admit of any strictly scientific solution. It is not a scientific problem, but a merely political one. In dealing with it, it is necessary to keep in mind that one cannot do more than point out probabilities and possibilities, which are far from having any exact basis. And even to do this we have few data to go upon. It might, therefore, not be altogether out of place to inquire whether, in the experience of other countries, any example may be found, from which conclusions as to the probable prospects of the measures proposed could be deduced. To a certain degree the Austro-Hungarian Empire can be considered as an example of this kind.

We must, however, first briefly touch upon the constitutional relations of Austria and Hungary. Austria—the official title is “the kingdoms and countries represented in the Council of the Empire”—and Hungary are two separate and independent States which, according to the “Ausgleich” of 1867, viz., the whole of the constitutional laws regulating their mutual relations, have nothing in common except the army and navy and the diplomatic representation. Beyond these “common affairs,” the same constitutional laws provide that certain legislative matters should be regulated in both countries only on “common principles” to be periodically agreed upon, between the representative bodies concerned. Amongst these latter affairs the most important are foreign trade and customs policy, which, since 1868, have been settled in this way, viz., that the two countries form a customs union. Hence, in respect to foreign trade, the Austro-Hungarian Empire is a commercial unit resting on the basis of a treaty, the “Zoll-und-Handelsbündnis,” which must be renewed every ten

years. Our experience might, therefore, be of some use in considering the question at issue.

Austria and Hungary seem to present all the fundamental conditions for a prosperous economic and commercial union. The former is a mainly industrial, the latter a mainly agricultural country. They are therefore in this respect, as it were, supplements to each other; the Austrian industry supplying Hungary with manufactured goods, whilst the Hungarian agriculturist furnishes to Austria raw materials and food. The amount of this trade is shown by the following figures:—

Exports from Hungary to Austria in 1902 . .	£39,600,000
Exports from Austria to Hungary in 1902 . .	36,400,000

Though these figures may not be quite accurate, there cannot be the slightest doubt that this trade is of the utmost importance to both countries. The vital importance of the Austrian market to Hungarian agriculture is strikingly exhibited by the fact that Austria's grain imports from Hungary amount to nearly 30,000,000 cwts., that is, to almost the same sum as the whole grain imports of Germany, and about one-third of the grain imports of the United Kingdom.¹ Nothing can be more evident than that the abolition of the customs union, and the introduction of a new customs barrier between the two countries, would be an irreparable loss to both of them. Under these circumstances, it would seem that the customs union must have been a most powerful agent in welding together the empire.

Nevertheless, well-known recent facts prove that the vital economic interests demanding the continuation of free and unfettered traffic between Cis-Leitha and Trans-Leitha are not able to check the ever-increasing tendency in Hungary towards complete separation from Austria, although it may be at once granted that this tendency springs in the first instance from merely national aspirations, which with us play a far greater part than economic considerations. There seems, indeed, to be little doubt that these difficulties of national character are not even softened by the afore-mentioned common economic interests. On the contrary. Precisely out of the customs union, or, to be more accurate, out of the customs barrier which severs the united empire from the trading world, there arise new difficul-

¹ For further details, see Philippovich, "Die österreichisch-ungarische Handelspolitik und die Interessen Österreichs" in the *Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung*, 1902, p. 441 sq., and Bazant, "Die Handelspolitik Österreich-Ungarns," 1904.

ties which could not exist under Free Trade, there arise divergences of interest, which, far from begetting and fostering friendship and concord, only enhance the feelings of national jealousy and animosity, and aggravate the political difficulties which our statesmen have to overcome.

There was a time when this contrast of interests was reflected in the opposition of Hungary to any increase of import duties; as long as the Hungarian grain and other agricultural produce met no serious foreign competitor on the Austrian market, there was in Hungary a prevalence of free-trade ideas. Agrarian duties were of no advantage to them, whilst they felt the whole burden of industrial duties. Circumstances have changed. Now there exists neither in Austria nor in Hungary any political party that would fly the banner of free trade. At present the principal question at stake is the measure of industrial and agrarian duties. During the last few years the growth of population combined with the development of industry in Austria has caused a complete revolution in the Hungarian grain-trade. Whereas till 1897 Austria-Hungary as a whole was a grain-exporting country, the imports of grain have since that year equalled and sometimes even exceeded the exports. The whole Hungarian crop as far as it is not required for home-consumption is now absorbed by Austria. The probability that the next years will bring about a further development in the same direction, necessitating still larger imports of grain and other agricultural produce, prompts the Hungarian representatives to demand an enhancement of agrarian duties, which obviously would be borne principally by the Austrian consumer. On the other hand, Hungary opposes in most instances any increase of industrial duties deemed necessary to protect the Austrian manufactures against foreign competition. There are, it is true, some newly-established manufactures in Hungary which could not thrive without protection. But the principal aim of the Hungarian Government is to protect them not only against foreign, but also against Austrian competition. The means employed are bounties, subsidies, and subventions granted either directly or indirectly in various ways. Now, in Austria economical questions are not discussed with that keen interest which is a striking feature of political life in England, and the various parties are not so ready as would be expected to emphasise the alleged economical divergences. The whole weight of the above-mentioned considerations is felt mainly by the Austrian and Hungarian Government in negotiating the renewal of the "Zoll-und Handelsbündnis," of which the most important

part concerns the new customs-tariff. Little or nothing of the various phases of these negotiations transpires in public. But the serious difficulties arising out of this position are abundantly shown by the fact, that the negotiations about the new customs-tariff, which were entered upon more than two years ago, are not yet brought to an end.¹

There would seem to be two ways of getting over these difficulties, viz., either to abolish the existing customs-union, thus leaving each country to impose whatever duties it might think fit—or to make a clean sweep of protection. I do not feel myself called upon to decide whether the first expedient would be preferable to the existing state of things even from a merely political point of view, nor whether the second would at the present moment be practicable. But at any rate we may fairly conclude that the political difficulties in regulating the mutual relations between Austria and Hungary, which as stated above take their mainspring from national aspirations, are not at all diminished, but on the contrary greatly increased by a customs-policy which, superficially viewed, would seem to create the strongest common interests.

If we now come to consider what inferences for the question at issue we can draw from the situation described, it will perhaps be objected in the first instance that the comparison could not be a very close one, since Mr. Chamberlain's scheme implies only preference, whereas the Austro-Hungarian Empire forms a customs-union. But, nevertheless, a system of preferential import-duties can be rightly regarded only as a lower degree of, or as a first step to, customs-union, or the latter only as a higher degree of preference. The difference at all events is merely one of degree. It will have been noticed, too, that the economical aspects of the commercial relations between Austria and Hungary present a pretty close analogy to those between the United Kingdom and her colonies, and one might surmise that identical causes are likely to have identical consequences. It must be observed, too, that Mr. Chamberlain's preferential scheme would entail an entangled network of treaties far more complicated than the negotiation of the Austro-Hungarian "Zoll- und Handelsbündnis." There does not seem to exist the faintest ground for believing that the difficulties in conciliating so manifold divergent interests will be less.

On the other hand we must take into account that the British Empire does not present that checkered variety of different

¹ See also Philippovich in *ECONOMIC JOURNAL*, Vol. XII, p. 177, and *loc. cit.*

nationalities, which in the Austro-Hungarian Monarchy begets the burning "national question"—the pivot upon which, with us, the whole political life turns. The importance of this point can hardly be overrated. It may be insisted upon that common nationality, common language and literature, common history and traditions are a tie far stronger than a commercial policy, which, intended to benefit, does in fact only hurt everybody. Where the former are wanting the latter cannot beget unity,—where they exist no artificial system of customs-policy seems to be necessary.

This statement, however, is no more than a conjecture. Since the political effects of the proposed measures depend far less upon their real than upon their imagined economical consequences, viz. upon the ideas of them prevailing in public opinion, where the spell of economical fallacies seems as yet to be almost everywhere unbroken, one cannot absolutely deny the possibility—however improbable it may be—that the least reasonable policy may prove the most effective.

LEO PETRITSCH

PURE THEORY AND THE FISCAL CONTROVERSY

IN much that has been written upon the fiscal controversy assertions have been made, the foundations of which rest upon certain positions of pure theory. Though, therefore, it may well be doubted whether any bridge between the abstract and the concrete can be built secure enough to warrant the passage of a positive solution, there can be no doubt of the great value of rigid analysis as a criterion of the positive arguments used by other people. It is from this point of view that the following solutions are offered of six abstract problems which bear indirectly upon the practical issue before the country. The solutions depend upon algebraic reasoning, and are not carried beyond the stage of first approximations.

Problem 1.—To determine the relation between the effect of a differential and that of a non-differential tax upon prices in the taxing country. It can be proved that, when the conditions of stable equilibrium are present, either kind of tax must in general raise the price to some extent. The problem is complicated in the case of increasing return, and we get the curious result that, when the taxed supply obeys the law of increasing, and the untaxed that of diminishing, return, the price may fall, even from a stable equilibrium point, as a direct consequence of the tax. The emergence of this paradoxical result (due, of course, to the suppression of the element of time when a plane curve is used to represent organic changes) suggests the necessity of extreme caution in extending the argument into so difficult a region. In treating of diminishing return we are upon surer ground, and may say definitely that a tax, whether upon one or upon both sources, necessarily raises the price, and that the price-change bears a larger proportion to the tax in the latter case than in the former. Furthermore, an obvious extension of the algebra shows that the rise of price caused by the conversion of a differential

tax at the rate T into a universal tax at the same rate is slightly less when the tax is rated *ad valorem* than when it is specific. Finally, it appears that the amount by which such a conversion tends to raise the price is greater, the greater, with given elasticities, is the quantity, and, with given quantities, is the elasticity of the untaxed relatively to that of the taxed supply;¹ and less, the greater is the elasticity of the home demand. If the demand is constant and the elasticities of the two supplies equal, then the conversion will raise the price by a proportion of the tax represented by the originally untaxed supply divided by the total supply.

Problem 2.—To ascertain the effect upon price of taxing the supply from one source and expending the proceeds in a bounty upon that from the other, when both supplies obey the law of diminishing return. If the elasticities of the two supplies are the same, the price necessarily rises. If the elasticity of the taxed supply is the smaller of the two, it may fall. In any event it will rise less than it would do if the proceeds of the tax were not expended in a bounty.

After the maximum revenue point has been passed, any rise in the rate of the tax involves a diminution in the receipts from it, and therefore in the fund available for a bounty. Hence, after this point, the bigger the tax the greater the rise in price, even though the proceeds are devoted to a bounty.

Problem 3.—To ascertain the effect of commuting a given small tax T_2 yielding a revenue R from two sources of supply into a tax T_1 so assessed as to yield the same revenue from one source of supply only.

Under the conditions of diminishing return, the consumers will always contribute a smaller proportion of the revenue raised by the tax when it is levied from one source only. But, on the other hand, they will have, in addition, to make a payment to the controllers of the untaxed source of supply, whether these reside within or without the taxing country.² This element of

¹ The term "elasticity of supply" is applied in this article to the supply offered in the market of the taxing country, and is to be distinguished from the elasticity of the total production in any source of supply. If the whole of that production were supplied to the taxing country, there would, of course, be no distinction between these two things. When, however, as in the case of wheat, only a portion of the foreign production is sold in England, these two elasticities are not only distinct, but may be widely divergent, from one another. Cf. on this and other points "The known and the unknown in Mr. Chamberlain's policy," by the writer, in the *Fortnightly Review* for January, 1904.

² If they reside outside, this extra payment is a total, if inside, only a partial loss to the taxing country considered as a whole.

disadvantage may be either greater or less than the element of advantage just described. There is bound to be a loss on the whole if the ratio of the square of the supply offered from the untaxed source to the square of that from the taxed source is greater than the ratio of the elasticity of the untaxed to that of the taxed supply. When the elasticities are equal, there may be a gain if the quantity of the taxed exceeds that of the untaxed supply.

For complete analysis it is necessary further to distinguish the effect upon consumers' surplus of the two foregoing methods of raising the given revenue. If the demand is constant, this is not affected by a change from the one to the other. If the demand is not constant, it is necessary to determine under which method the price will be affected most. The rise of price will be greater when one source only is taxed if the supply from this source is more elastic than that from the other. Under these circumstances, there has to be added to the debit side of the account a certain loss of consumers' surplus. On the other hand, if the taxed supply is the less elastic of the two, a consideration of consumers' surplus strengthens the case for collecting the revenue from that source only, and continuing to leave the other untaxed.

Problem 4.—To ascertain the effect of most-favoured nation agreements upon the advantage which this country might expect to obtain from successful bargaining for the reduction of the French tariff. In general, the fact of concessions made to us having to be made to our rivals also, diminishes the benefit we receive from them. The extent to which it does this is greater the less elastic is the French demand for the goods in question, and the greater the quantity and the higher the elasticity of our rival's supply of them relatively to our own in the French market.

Problem 5.—A protective tariff is said to encourage the formation of Trusts. One party asserts that these necessarily raise prices to the injury of the consumer, and the other replies that they introduce economies, and therefore lower prices. Problem: to resolve this controversy. If a commodity, formerly produced under free competition, is taken over by a monopolistic corporation acting exclusively in its own immediate interest, prices may be either raised or lowered according to the extent of the economies which the combined management makes possible. In the simplest case, when the equations of supply and demand are assumed to be linear, in order to a lowering of price, the

economies introduced must be so great that, had free competition continued, the amount of the commodity consumed would have been doubled in consequence of the change. These large economies are hardly possible except in industries which are being badly managed. As Mr. Bolen observes: "Such industries Trust promoters seldom choose. They naturally prefer those industries having already a monopolistic excellence that will float watered stocks."¹

Problem 6.—It is generally admitted that the power of resorting to various kinds of dumping is a factor in "commercial" competition. Problem: to ascertain how far it is also a factor in industrial competition, how far, that is to say, the anticipation of it will attract capital towards businesses in which it is practicable.

The case of dumping with a view to destroying foreign rivals is not here considered. The questions raised relate (a) to sales abroad, regularly made at lower prices than at home; (b) to the dumping of surplus produce.

(a) If the foreign sales are effected at prices, which, though not monopolistic, yet yield normal profits when a proportionate share of the cost of production is debited against them, they are an obvious advantage to the monopolist. They yield a return themselves, and they also increase the return on the home production by enabling its cost to be reduced.

When they are effected at prices lower than this, they are still an advantage to the monopolist if their selling price does not fall below the average full cost of production which holds good when they are being produced, by more than the difference between this average full cost and that which would rule if they were not being produced, multiplied by the ratio of the quantity sold at home to that sold abroad.

(b) The power to "dump" surplus produce abroad, and so to realise on it without spoiling their regular market is also an advantage to the combinations which possess it, and would, *pro tanto*, encourage the investment of capital in them.

This matter of surplus dumping is, however, apt to be misconceived. When businesses have been established, and plant set up, it would always be an advantage, were it not for spoiling the market, to sell down to prime cost rather than not at all. Mr. Jeans is, therefore, inverting the causal sequence when he writes: "Germans and Americans make great efforts to run full time, and in order to do this, they do not hesitate to sell their surplus

¹ *The Trusts and the Tariff*, p. 167.

in foreign markets at a very low figure.”¹ It would generally be truer to say that by a tariff which checks re-imports, they are enabled in bad times safely to effect cheap sales abroad, and, *in order to do this, they tend to work fuller time.*

A. C. PIGOU.

¹ Ashley, *British Industries*, p. 22.

THE BRUSSELS SUGAR CONVENTION

THE history of what has come to be called "the sugar question" furnishes a valuable object-lesson on many points of vital interest, now that fiscal policy has become the great battlefield of the day,—valuable not only in the happy result of restoring, in our country, free trade in sugar, but also in disclosing, during the thirty years of incessant struggle, the almost incredible fallacies of those who, erroneously interpreting the principles of free trade, opposed so legitimate a result. A few eminent statesmen, illustrious economists, and leading Government officials have persistently and successfully blocked the progress of negotiations and postponed the settlement of a matter which, in the interests of free trade, called loudly for immediate redress. Serious injury and gross injustice to British industries, flagrant interference with the natural course of trade and production, entire disregard of the true interests of the consumer,—all these have been upheld and defended on grounds so absolutely contrary to all sound economic principles that any one who carefully studies the history must conclude that these "weighty" opponents could only have been acting in a free trade burlesque.

When Mr. Gladstone, in 1864, first proposed to take international steps for abolishing bounties on the exportation of refined sugar, he little thought that nearly forty years would elapse before the bounty question, so far as sugar was concerned, would be settled. He took up the subject with a light heart, and evidently with no doubts as to the soundness of the policy he was proposing when he declared the Convention of 1864 to be "a beneficial arrangement, beneficial alike to importers, refiners, and consumers." This Convention contained a clause recognising the necessity, as security to the contracting Parties, for some penalty against any infringement of its provisions. This must have been inserted with Mr. Gladstone's approval, and no word of objection was at that time heard in any other quarter.

During the ten years of this treaty France evaded her engage-

ments, in spite of constant protests from the British Government. The bounty obtained by the Paris refiners went on steadily increasing, and jumped up to a really formidable sum when the French sugar duties were nearly doubled at the close of the Franco-German war. The bounty at that time was confined to refined sugar, and arose from the fact that the duty was paid on the raw sugar as it entered the refinery according to an estimated yield of refined sugar, the full duty on pure sugar being returned in drawback on that portion of the refined sugar which was exported. The method of estimating the yield was imperfect and incorrect, and also gave opportunities for fraud or deception. The result was inevitable—a much larger sum was returned in drawback than had been paid in duty.

In 1872, two years before the expiration of the Convention, the struggle began. The British refiners pointed out that the only effectual remedy would be to levy no duty until the refined sugar went into consumption. By that means the refined sugar which went for export, having paid no duty, would receive no drawback, and therefore no bounty. This involved excise supervision of the refineries, called in this country "refining in bond." Our Government was at last convinced that this was the only remedy, and urged its international adoption. The difficulty was to get the French Government to move. The Paris refiners were rich and powerful and managed to obstruct the progress of the proposed reform. But the British refiners found active allies in the French beetroot sugar manufacturers, who were subjected to the very system which it was proposed to extend to the Paris refiners, and who, therefore, were absolutely prevented from obtaining a similar bounty. It was a striking anomaly that the great French sugar industry, which was doing so much to benefit the agricultural districts of northern France, should be subjected to the strictest excise supervision in order that not an ounce of their sugar should escape duty, while three or four colossal refineries in Paris were left free to play ducks and drakes with the revenue, which had just been so carefully looked after in the rural districts. The "Fabricants" were naturally jealous of their only customer, the favoured Paris refiner, and were also keenly alive to the fact that the bounty was preventing them from finding an excellent second customer in the British refiner. They therefore threw themselves into the struggle with much enthusiasm and some success. The National Assembly was induced to vote for refining in bond, but the international negotiations were sufficiently delayed to enable this vote to be quashed.

At last, in 1875, a conference was held in Brussels, Great Britain, France, Belgium, and Holland being represented. The British Delegates manfully fought the battle for refining in bond, and continued to do so at the subsequent conferences held in Paris in 1876 and 1877. There were many delays and evasions, but in 1877 a Convention was drafted which would have settled the question if the British Government would have agreed to a penal Clause. The French Delegates, supported by Belgium and Holland, pointed out most reasonably that they could not bind themselves to abolish bounties unless they had security, in the terms of the Convention, that they should no longer be liable to the competition of bounties from other quarters. The Treasury refused to give this security.

The Convention of 1877 consequently came to nothing. But in the meantime new and alarming features were appearing in other quarters of the European sugar industry. Germany and Austria were beginning to give bounties. In Germany the beetroot sugar factories paid duty on the weight of the roots according to an estimated yield of sugar. This system was intended as a direct encouragement to the growth of the richest roots and to the perfecting of the machinery and processes for the extraction of the largest possible proportion of the sugar contained in them. It was an excellent intention and thoroughly successful. The German character is exactly suited to such a task. The industrious, ingenious, and scientific "Fabricant" saw that he could make a large extra profit by obeying the stimulus and he did so with consummate skill and the utmost perfection. The choicest roots were grown in the most approved manner, factories were constructed with all the latest improvements, and the whole industry carried on under the supervision of men of the highest scientific and industrial reputation. But though the intention of the legislation was so far good and effectual, one of its ultimate results was inevitable,—more sugar was produced than was estimated, a bounty was consequently obtained out of the drawback on export, and the revenue began to fall off.

In Austria the same thing was happening in an exaggerated form. There the duty was also charged on an estimated yield of the roots; but a further estimate made matters worse. The roots were not weighed but the quantity of them was estimated according to the supposed capacity of the apparatus of the factory. The great object of the manufacturer, therefore, was to deceive the Excise Officers as to the capacity of his apparatus. The bounty consequently became so great that in 1876 the

revenue derived from the sugar duty in Austria actually became a minus quantity.

By this time the West Indians had joined the British refiners in fighting the European sugar bounties. They saw that every ton of foreign bounty-fed refined sugar imported meant a ton of West Indian raw sugar shut out from British markets. They also saw the new bounties on raw sugar appearing. The refiners on their part felt that if bounties were to be successfully opposed they must be opposed all round, and the two bodies have, therefore, always worked together with the same object,—the total abolition of bounties.

In 1879 a Select Committee of the House of Commons, appointed at the instance of Mr. Ritchie, who presided over it with conspicuous ability, thoroughly sifted the details of this complicated question. It not only examined witnesses as to the facts of the case, the effects of the bounties, and the course of the international negotiations, but also necessarily investigated the crucial point of those negotiations, namely, the penal Clause, without which, as has been explained, there was no possibility of obtaining a Convention. The whole question resolved itself gradually into this: is a duty to countervail a bounty consistent with free trade? The Committee reported that it was and gave conclusive reasons for its decision.¹ But the Foreign Office declared that it would be contrary to the stipulations of the most-favoured-nation Clause in our Commercial treaties, and therefore the decision of the Committee became of no effect. It is clear that the admission of bounty-fed goods destroys the equality of treatment which it is the object of the most-favoured-nation Clause to secure, and therefore it is difficult to understand how the law officers of the Crown arrived at their decision. It is evident that the present legal advisers of the Government take a different view and one more in harmony with the views of the Committee and of the legal advisers of the sugar industry.

The report of the Select Committee was naturally regarded as a great triumph for the advocates of the abolition of bounties. Unfortunately it was shelved and forgotten owing to events which immediately followed.

Mr. Gladstone was again in power and evidently feared that if the sugar question were not got rid of it might become a serious thorn in his side. The policy he adopted was to take the conduct of the negotiations away from the Foreign Office

¹ See the *New Liberal Review* for November, 1902, "Free Trade in Danger."

and hand it over to the Board of Trade, a department at that time avowedly hostile to the abolition of bounties. The question therefore was allowed to slumber, but the bounties went on increasing by leaps and bounds. In 1884 France adopted the German System in its raw sugar factories, levying the duty on the roots according to an absurdly low estimate of their yield, and thus establishing an enormous new bounty which very soon amounted to ninety million francs per annum. Germany and Austria, on the other hand, for the protection of their revenue, abolished their indirect bounties and substituted a temporary direct bounty on the exportation of raw and refined sugar. This was done in Austria in 1888, and in Germany in 1892, and was intended as a temporary measure pending the total abolition of all bounties. But the French bounty became so overpowering that, in 1896, Germany and Austria doubled their bounties, to which France replied in the following year by adding a direct bounty to its already overgrown indirect one.

In 1889, under Lord Salisbury's administration, a Convention had been signed in London, but when a small, unreasonable, and erroneous opposition was offered to the Bill in the House of Commons Mr. W. H. Smith promptly withdrew it. This involved another ten years of inaction. The production of bounty-fed beetroot sugar increased, under the new bounties, until it constituted two-thirds of the visible supply of the world. Cane-sugar rapidly disappeared from British markets, and British refined sugar was displaced by an annual importation of nearly a million tons of bounty-fed foreign refined.

This was the state of things when the Conferences at Brussels in 1898 made one more effort at a settlement. But even then the British Government were not prepared to give the necessary security, and the negotiations again ended in failure.

Our Government still wanted something to strengthen their hands, and they fortunately found it at the Congress of the Chambers of Commerce of the Empire, held in London in 1900. The London Chamber had on several occasions declared in favour of a Convention with a penal Clause. On this occasion Sir Neville Lubbock moved the London resolution in a brilliant speech, and was powerfully supported by Sir Thomas Sutherland, Lord Avebury (the President), and many influential Colonial Delegates. The resolution was carried by a large majority, and the Government appear to have accepted it as a mandate.

This brief but necessary historical retrospect is sufficient to lead up to an intelligent appreciation of the Brussels Conferences

of 1901-2, and of the Convention which has now become law in nine of the principal European countries. But before explaining its provisions it is necessary to describe a new form of bounty, far more dangerous and excessive than any of its predecessors, which had, in the mean time, made its appearance. At the Conferences of 1898 the Russian system had been a subject of much discussion and had been condemned as constituting a large bounty on the production and exportation of sugar. Direct bounties had been given in Russia from time to time in order to enable the industry to get rid of their surplus stocks; but in 1895 the Russian Government adopted what they considered a better method of permanently assisting and stimulating the industry. An elaborate Governmental system was devised by which the manufacturers were enabled to maintain the price of sugar for home consumption, by means of the high protective import duty, at a figure far in excess of the world's price. This gave them an enormous extra profit, and thus helped them to sell for export even below cost price and yet make an abnormal profit on their total production. No system could be imagined or devised which should more certainly cause over-production, the glutting of the markets of the world with goods below cost price, and the consequent gradual destruction of the natural sources of supply. This is the *modus operandi* of what is now called "Dumping."

The industry in Germany and Austria followed the example, so that when the Conference met again in Brussels in 1901, it was found that new bounties had arisen in those countries which threw all other bounties, except those of France and Russia, into the shade. The German and Austrian "Cartels," as they were called, differed from the Russian "Normirofka" in one important respect. They were private combinations of the beetroot sugar manufacturers and refiners and not a combination organised by the State. But it was pointed out that the advantage derived constituted, nevertheless, a State bounty, because it depended for its success on the action of the State in maintaining an excessively high import duty. The "surtax," that is, the excess of the import duty over the consumption duty, amounted, in Germany and Austria, to a sum far in excess of that necessary for the mere purpose of protecting the industry in its own market against outside competition, and it was this surtax that enabled them to raise their prices to the home consumer to a very high figure, and thus to create a fund with which to pay bounties on the exportation of their large and constantly increasing

surplus production, a surplus amounting to two-thirds of their crop.

Here was a complete object-lesson of the effect of high import duties coupled with trade combinations—a practical and detailed illustration of the art of “dumping.” An accurate calculation of these Cartel bounties can be made by adding the consumption duty to the export price—the world’s price—and deducting the sum, which should represent the normal price for home consumption, from the actual price as obtained by means of the trade combination and the protective surtax. In January, 1902, when the Conference was sitting at Brussels, it was found that the figures for Austria were as follows :

	Crowns per 100 Kilogrammes.
Normal price for home consumption	61·55
Actual price	83
Difference, <i>i.e.</i> , Cartel bounty	21·45

This is more than 9s. per cwt. of sugar consumed, and gives an annual Cartel fund of £2,957,868, which is sufficient to furnish a bounty of 4s. 8d. per cwt. of refined exported, or 4s. 2d. per cwt. of raw sugar exported.

The figures for Germany were as follows :

	Marks per 50 Kilogrammes.
Normal price for home consumption	20·05
Actual price	27·95
Difference, <i>i.e.</i> , Cartel bounty	7·90

This is nearly 8s. per cwt. of sugar consumed, and gives an annual Cartel fund of £5,558,495, which is sufficient to furnish a bounty of about 5s. 5d. per cwt. of refined exported, or 4s. 10d. per cwt. of raw sugar exported.

In the year ending July 31, 1902, Austria-Hungary produced 1,171,056 tons; consumed 349,117 tons; and exported 739,186 tons.

In the same year Germany produced 2,302,246 tons; consumed 743,520 tons; and exported 1,144,317 tons.

These brief calculations and figures show, at a glance, the vital importance to all industries of the present burning question of “dumping,” and furnish the necessary materials for its further study. In the case of any commodity, an excessive foreign protective duty, in conjunction with a trade combination, can create a similar bounty and thus glut in like manner the markets of the

world with its artificially stimulated over-production, thereby depriving the consumer of the benefit of natural competition, discouraging, and eventually killing the natural sources of supply, and ultimately resulting in an artificial monopoly. This was the keynote of the Brussels Conference, and it is a great triumph to Lord Lansdowne's able diplomacy that the first blow, and a most effective one, has thus been successfully dealt against an attack now threatening to undermine the natural course of production throughout the world.

The first Article of the Convention declares that the contracting Parties undertake to suppress direct and indirect bounties on the production or exportation of sugar, and proceeds to define, as follows, some instances of the way in which such advantages may result from State legislation.

- (a) Direct bounties granted to export.
- (b) Direct bounties granted to production.
- (c) Total or partial exemptions from taxation granted for a part of the manufactured output.
- (d) Advantages derived from excess of yield.
- (e) Advantages derived from the exaggeration of the drawback.
- (f) Advantages derived from any surtax in excess of the rate fixed by Article III.

Definition (f), inserted at the instance of the British Delegates, was absolutely essential in order to meet the case of the Cartel bounties. They proposed to define Cartel bounties as "advantages derived from any surtax," but in view of the critical state of the negotiations accepted the limitation. The first Article is, therefore, so far inconsistent that, though it declares the abolition of all bounties, it permits any Cartel bounty which may be obtained from the reduced surtax fixed by Article III. Up to now the industries in Germany and Austria have not attempted to organise a Cartel bounty out of the reduced surtax. The figure of this reduced surtax was, of course, a great bone of contention, but was finally fixed at 6 fr. per 100 kilogrammes, that is, 2s. 6d. per cwt.

The direct bounties in Germany, France, Austria and Holland came under definitions (a) and (b). The bounties defined under (c) (d) and (e) belong to one family and are practically interdependent. Levying the duty on an estimated yield is probably followed by the obtaining of a yield in excess of the estimate and consequently by a "total or partial exemption from taxation for a part of the manufactured output." But this would not necessarily

create a bounty unless the full amount of duty were returned in drawback on export. In that case the manufacturer can obtain the full duty from the home consumer ; but if it were not so the exemption from taxation would merely operate as a reduction of duty to the consumer. Where the full drawback is returned on export though the full duty has not been paid by the manufacturer, the drawback becomes practically an exaggerated one and the bounty is really the result of a combination of the causes defined in (c) (d) and (e).

The second Article abolishes such bounties as are here defined by prescribing excise supervision of factories and refineries, so that no duty shall be charged on the estimated yield, and therefore, no drawback paid on exported sugar. The sugar will be manufactured and refined "in bond," that is, without having paid any duty; drawbacks will thus be abolished, and the sugar for home consumption will pay the duty when delivered for that destination.

The third Article fixes the maximum surtax at 6 fr. per 100 kilogrammes.

The fourth Article is the penal clause, the object of which is to give to the contracting States security that they shall not in future have to compete with bounty-fed sugar. It declares that a duty not less than the amount of the bounty shall be imposed in the markets of the contracting States on sugar from all countries that grant bounties. In the case of bounties arising from a surtax higher than that fixed by Article III. the countervailing duty shall be calculated by deducting from the surtax the figure so fixed and taking half the difference as representing the bounty.

These then are the salient points of the Convention. The decision to abolish all bounties ; the establishing of manufacturing and refining "in bond ;" the limitation of the surtax ; and the security to the contracting Powers that bounty-fed sugar will no longer be tolerated in their respective territories.

In order to estimate the results of this Convention it is necessary to indicate the real effect of bounties, which is very imperfectly understood. They simply stimulate production and thereby cause a superabundance of the bounty-fed article. This brings about a fall in price until at last it goes below cost. The effect of reducing the price of a commodity below the cost of production must be to discourage and reduce natural production. If this were to continue long enough all the natural sources of supply would be dried up. The bounty-fed producer can continue his production so long as his bounty leaves him a margin of

profit. The ultimate effect of bounties would therefore be to leave the bounty-fed producers with a monopoly. This is a process clearly fatal to the interest of the consumer; and, therefore, when he congratulates himself on enjoying the very temporary advantage of unnaturally low prices he appears to be fatally blind to its ultimate result.

The cost of producing beetroot sugar may be taken, for the average of the whole of Europe, at somewhere between 9s. and 10s. per cwt. The cost of producing cane sugar in tropical countries ranges from 8s. to 9s. per cwt. Both of these are rough estimates and round numbers, but they are sufficient for the argument.¹ Now that bounties are abolished the cost of sugar will be governed by the cost of production, and therefore will range round about these figures. During the bounty period over-production has periodically forced prices below the cost of production. The reaction caused by the consequent discouragement and even reduction of the natural sources of supply has invariably sent prices far above that cost, and consequently the consumer has had to pay a higher average price than he will have to pay now that production is at last permitted to enjoy free competition on the basis of natural advantages.

During the two years preceding the Convention prices had been forced down to a point 3s. per cwt. below cost price, owing to the effect of the new cartel bounties in Germany and Austria. Production was so stimulated that the visible supplies of the world rose to a point more than a million tons above the normal level. Markets were so glutted that even the beetroot sugar producers reduced their production. That remedy has, however, been insufficient, and the markets still remain overloaded. Prices recovered slightly in the expectation that things would right themselves; but as the glut remains the price still hangs below the cost of production. It will be interesting to see whether the beetroot sugar industry, which now supplies two-thirds of the world's visible consumption will make a sufficient effort to bring supply into harmony with demand. They do not want to produce at a loss; but, on the other hand, they know that for each factory reduced production means increased cost of manufacture. The remedy will therefore be gradual, and abnormally low prices may continue a little longer. In the end we may be sure that prices will range round about the cost of production and that the consumer will enjoy a lower average price than he has ever had

¹ For details on this and other points, see *Journal of the Royal Statistical Society*, June, 1899, pp. 296-332.

before and a steadier market, free from periodical gluts followed by periodical scarcity.

The cane sugar producers will undoubtedly have a great revival. They wanted security—a fair field and no favour—and could not get it. Now that it has at last been given to them they will no longer hesitate to invest capital in their industry. They can, with good appliances, produce a great deal more sugar per acre than their European competitors. There is, therefore, every prospect of their reducing still further their cost of production, which already stands 1s. per cwt. below that of Europe. The competition between cane and beetroot promises, therefore, to be healthy and keen. The only hope for the beetroot industry is largely increased consumption in their own countries, now that bounties being abolished, not only heavy surtaxes disappear but also excessive excise duties can be reduced.

Some cane sugar producing countries have recently found salvation in the great expansion of the demand for sugar in far Eastern markets. In the United States West Indian sugar has in recent years enjoyed an open market because bounties have in that country been countervailed. But that market will soon be closed to them. There are several sources of supply which now enjoy preferential treatment in the States, and these will before long supply all the sugar that is required there. Louisiana, the Sandwich Islands, Porto Rico, and the home grown beetroot sugar are all admitted free of duty and thus obtain an extra profit of nearly 8s. per cwt. They consequently increase their production to the utmost limit. Cuba, which now produces more than a million tons of sugar, enjoys a benefit of 20 per cent. of the duty, and the Philippine Islands rather more. The United States will evidently soon be in a position to disregard supplies from outside its own family. For a time this will be a thorn in the side of our sugar producing colonies, but they will be better able to bear it than their beetroot rivals who have a higher cost of production.

There is one minor point in the Convention which calls for a word of comment. The fourth Article lays down the rules for countervailing a bounty by means of an equivalent duty, but it adds as an alternative that the high contracting parties reserve to themselves the power to prohibit the importation of bounty-fed sugar. This appears to have arisen from some curious superstition on the part of the British Government that a duty might be

regarded as contrary to the principles of free trade, but that prohibition could not fall under that stigma.

If this was the idea it shows a curious want of grasp of the subject. A bounty destroys free trade in the country which receives the bounty-fed commodity, because the producer of that commodity is at once placed in a position of favour as compared with his competitors who receive no bounty. The foreign producer is practically protected by his bounty in British markets if his sugar is allowed to be imported in open competition with sugar which receives no bounty. The effect is exactly as if the bounty-fed sugar were admitted free and the other, receiving no bounty, were struck with a duty. To eliminate this inequality is the sole object of the countervailing duty. It is, in fact, a duty on bounties, not on sugar. It accepts the bounty for the benefit of the whole nation of taxpayers by putting it into the Treasury, and leaves the sugar to compete with all other sugar on equal terms. Therefore under a system of countervailing duties we do not lose the benefit of the bounty, we do no injustice to the bounty-fed producer, and we save the consumer from the danger to his interests arising from the effect of bounties in discouraging and eventually destroying his natural sources of supply.

None of these arguments can be used in favour of prohibition. The sugar is simply shut out and has to find other markets, where it will be sold for what it will fetch and will create the same injury to the consumer by discouraging and reducing the natural sources of supply as if it were admitted free into this country. The British producer will therefore suffer the same injury, and the British consumer will be deprived of the sugar. Of course, when the quantities are insignificant, as they are now, there is no deprivation to the consumer, but there is still an injury to the producer.

Recent experience in the United States furnishes a good illustration. Countervailing duties were established in exact proportion with the bounties given. Large quantities of bounty-fed sugar were from time to time imported under this system, but of course the price of that sugar had to be sufficiently low to permit of its being sold, duty paid, at the same price as other sugar. If the United States had prohibited the importation of bounty-fed sugar, the American consumer would have suffered from a temporary scarcity, and the bounty-fed sugar thus shut out, in its search for other markets, would have greatly aggravated the general situation of the world's

sugar market by a further 'depression in values.' There would have been an artificially high price in America and a more intensely low price elsewhere.

Nothing could possibly prove more clearly that a duty to countervail a bounty furnishes an automatic method of restoring the free competition which bounties destroy.

GEORGE MARTINEAU

DEPRECIATION AND SINKING FUNDS IN MUNICIPAL UNDERTAKINGS¹

WITH the rapid growth of the industrial domain of municipalities and the large increase of debt which is in a great measure due to that wider sphere of activity, certain questions of municipal finance have assumed an importance which warrants closer study than has hitherto been given to them. With the arguments for or against municipal trading this paper is not in the least concerned; it is limited to a few financial issues which appear to be of vital importance in the administration of such undertakings.

The particular questions to be raised connect themselves with the fact that all these undertakings are started with borrowed capital, and it is therefore important to understand what are the principles on which an equitable distribution of this initial burden may be made as between the present and the future generations of citizens. The Select Committee on Repayment of Loans by Local Authorities, which reported last year, has brought out the principles by which Parliament and the Departments have hitherto been guided in fixing the periods of repayment, and the evidence also includes the criticisms of those periods by representatives of various local bodies who are almost unanimous in asking for longer terms.

It is, I think, unfortunate that the Report of the Committee does nothing more than suggest slight alterations and adjustments here and there, without ever raising the question whether a practice which at its inception contemplated none of the recent extensions of municipal activity does not require radical alteration, and not merely slight adjustment, before it can be effective in the newer sphere. The terms of reference were wide enough to admit of such an inquiry being made, and there is strong

¹ Read before the Economic Science Section of the British Association at Southport, 1908.

reason to doubt whether an adequate solution can be found to many of the difficulties under which corporations now labour without first attempting to separate the conceptions of Sinking and Depreciation Funds. In many cases the one is of necessity contained in the other; in many cases they should be kept quite distinct. It is the purpose of this paper to show that there is an unsatisfactory diversity of methods among municipalities which can only be obviated by a change of statutory requirements.

The present practice of Parliament and the Departments is to fix a period for the repayment of debts contracted by local authorities, so that for each loan there is a statutory Sinking Fund. Many factors are considered in fixing these periods for different undertakings. It is recognised to be unwise and unjust, even if it were practicable, to burden the ratepayers of one year or one decade with the whole cost of a necessary or useful undertaking which will benefit the future ratepayers quite as much as, if not more than, it will benefit the present. Many large municipalities, with a desire to preserve open spaces and parks in growing districts within their areas, have been actuated more by the needs of the next generation than of the present, and it would be the height of folly to penalise such foresight by making the present generation bear the whole cost. That the first generation should repay the loan for a large water undertaking would be equally absurd and unjust. On the other hand, it is almost as important a principle in present practice that the period should be kept as short as is consistent with efficient work, in order that the ratepayers of the future, who are assumed to have equally great tasks before them, may not be hampered by repayment of debts for works instituted by their predecessors. Hence, in the cases of land for parks and of waterworks, while there is no question of their becoming valueless, and perhaps a little fear of their value diminishing for centuries, an accepted principle is that loans should scarcely ever exceed two generations. In view of the great increase of local indebtedness, again, it is urged that a short-period loan ensures more careful consideration by a municipality before entering upon a project, and that this is very desirable as a salutary check; while local circumstances, such as the possibility of a diminution of population, are also sometimes taken into account as pointing to the advisability of restricting the term. But the principal consideration given by the Government officials is that no debt should outlast the useful life of the works for which it is con-

tracted, possibilities of obsolescence as well as wear and tear entering into this calculation. Therefore, in the case of a subject like tramways, where the useful life is comparatively short, that life is the chief, almost the *sole* determinant of the Sinking Fund period which the Government lays down; while in the case of a subject like a park or waterworks, where the useful life may be indefinitely long, the principle of not exceeding two generations is the real determinant.

Probably no very serious objection will be raised against these rules and principles so long as they are limited in their application only to certain classes of undertakings, though it is often urged that two generations is too short a period for the repayment of some debts, as *e.g.*, where a permanent asset can be relied upon. They are in the main good and convenient, I think, for two classes of works:—

(a) Those unproductive undertakings which at one time were the chief purposes for which municipalities borrowed, and which still account for a large proportion of local debt.

(b) Those reproductive undertakings like great waterworks, which are almost permanent in character if repaired year by year out of revenue, and in which the Sinking Fund period is but a small part of the useful life.

But when these principles are applied, with perhaps merely a little additional emphasis on the life of the subject, to the large sphere of undertakings which have come recently under municipal control, it may well be questioned whether they are adequate to the needs. The actual result is that the debt on gas-works, tramways, &c., has to be paid off in a period corresponding very nearly with the life of the subject, and when a sum has been set aside for this Sinking Fund every year there is *in general* no further obligation upon the municipality with regard to reserves. The life of the subject is short; yet, speaking generally, no Depreciation Fund is enforced, and we obtain from this a very wide divergence of practice from municipality to municipality. All of them must have Sinking Funds: some of them have adequate Depreciation Funds, some of them have either inadequate Depreciation Funds or none at all. Over the whole of municipal reproductive undertakings the Depreciation Funds are so small that they almost forfeit the name, as was clearly shown by Sir Henry Fowler's Return of the Reproductive Undertakings carried on by municipal boroughs in England and Wales issued in 1899, which is brought down to 1902 by a return issued last winter. According to the former return the annual average

amount set aside for depreciation was under one-tenth of one per cent. on the capital borrowed, and it had increased to one-sixth of one per cent. in the later period.

In view of the constant use of these figures, especially by opponents of municipal trading, it is necessary to point out that they do not convey a fair idea. On the whole they may be assumed to be accurate, though they would be slightly more favourable to municipalities if the methods of book-keeping were uniform, for it is easy to see from the statements made in the returns about the disposal of profits that some small portion is set aside for depreciation though under some other name. But a much more important fact, which is left out of account in drawing conclusions from the figures, is that not every one of these reproductive undertakings is a proper subject for a Depreciation Fund. For instance, some of our large waterworks are fully maintained out of revenue, renewal of any part of the plant and even the institution of improved methods being met out of revenue year by year. Indeed it is urged that they may be quite as valuable assets sixty or eighty years hence after the whole debt is repaid as they are to-day, and where there is such maintenance of value a Depreciation Fund is not required. Even in cities where liberal Depreciation Funds are kept for other industries, expert opinion considers it quite unnecessary to require such a fund for the waterworks, when they are kept up to their fullest efficiency out of revenue each year. Now waterworks account for nearly half of the capital borrowed by municipalities for reproductive undertakings, and while it is not claimed that every waterworks has an indefinitely long life, I have given reasons for excluding this large sum from our estimate when we are calculating the amount of provision for depreciation. Other items, particularly where land plays a very important part, may be brought more or less under the same category, and so the bald statement that the municipalities are only putting aside one-sixth of one per cent. for depreciation in reproductive undertakings in England and Wales is calculated to mislead.

To obtain a true view we must confine ourselves to subjects which admittedly depreciate within a measurable period of time, and fortunately the material is available for making this study. There is some difference of opinion as to the life of a tramway undertaking, but it is usually said that the equated period should not be allowed to exceed thirty years. The Select Committee on Repayment of Loans could not see its way to recommend any

extension of this period, especially when the possibility of obsolescence is taken into account, and even for the permanent way this period has often been found to be too long.

The facts for the municipal tramway undertakings of England and Wales according to the latest figures of the Return to the House of Commons in December last are these:

In 1902 the total capital borrowed amounted to £9,443,741, and the annual average Depreciation Fund was £50,307, or over one half of one per cent. I might remark in passing that this percentage would be higher if Scotland were included, because in that country, generally speaking, adequate Depreciation Funds are maintained: but I must point out, on the other hand, that tramways show the largest percentage set aside for depreciation of any municipal undertaking, that for gasworks in the same period being just over one-third of one per cent., and that for electrical supply being about one-sixth of one per cent. Even controversy as to what the lives of these subjects should be does not affect the result that the Depreciation Funds are absurdly inadequate.

• The importance of this fact cannot be exaggerated. In no sphere of municipal finance is it easier than here to relieve the rate-payers of to-day at the expense of the future, while it may very occasionally happen that too large a part of the burden falls upon the present. Everything depends upon whether certain charges are made to capital account or to revenue account. It is not to be suggested that errors of this kind would be made intentionally, but they have already occurred through lack of knowledge, or even through trusting too implicitly to a statutory Sinking Fund. As an example of the gravity of the question I could give the case of a municipality which is now paying, and will for some years be paying, a Sinking Fund on tram lines which were taken up as worn out two years ago. Neither was there a Depreciation Fund in this case, and so the present is repaying capital borrowed for two sets of rails. In such a case, it is obviously the duty of a city to make more liberal provision than the law enjoins.

But to sum up concisely the results of present practice in these reproductive undertakings, even on the assumption that the Statutory Sinking Fund period in no case exceeds the useful life of the works, we have:

(1) Those municipalities in which the statutory requirement is the maximum provided. Here, on the assumption that thirty years is the equated life of the subject and is also the Sinking

Fund period, at the end of the thirty years the loan is repaid, but the subject is worn out or obsolete and there is no fund for renewing it. The municipality must obtain powers to borrow afresh for the same undertaking and a system of borrowing, paying off in thirty years, borrowing again and paying off again, goes on for ever, without taking any account of new capital required for extension of the plant.

(2) Those municipalities in which more than the statutory requirement is provided.

(a) Where a slight Depreciation Fund is kept in addition to the Sinking Fund the borrowing and re-borrowing must go on in much the same way as in the former case, though the sum borrowed may grow less for one and the same undertaking at each re-borrowing.

(b) Where an adequate Depreciation Fund is kept in addition to the Sinking Fund, at the end of the period the whole debt will be paid off by the Sinking Fund and the plant will be up to its original value, or the money in the Depreciation Fund, together with the then value of the plant, will be equal to the original sum borrowed. In this case there will be no re-borrowing for the same undertaking, if we exclude extensions as new undertakings, and no further Sinking Fund will be required.

There are many variations within these classes, but judging from the figures I have given, the great bulk of municipalities either keep no Depreciation Funds at all or keep very inadequate ones: and this unsatisfactory divergence of practice becomes still worse when we hear demands from towns whose systems thus differ for lengthening the Sinking Fund periods. It is obviously very dangerous to grant such requests to those who only fulfil the minimum statutory requirements; a great deal may be said in favour of those which keep an adequate Depreciation Fund in addition.

The municipalities which adopt the minimum and those which do only a little more by way of an inadequate Depreciation Fund are not, however, without some show of reason for their practice. It is urged by them that since the life of the subject is the main factor in fixing the Sinking Fund period therefore the Sinking Fund is the Depreciation Fund. If you set aside a Depreciation Fund in addition to the Sinking Fund the life of the subject is taken into account twice over, and the undertaking is thus handicapped as no private company would be. The first thirty years on this system would not only repay the capital borrowed but would also build up an equal capital for succeeding

generations who will have but one of these funds, viz.:—the Depreciation Fund, to pay. This, they say, would be manifestly unfair to the first generation. Besides, while we have for convenience considered the Sinking Fund period as corresponding with the life of the subject, it is usually put on the safe side; and so even where no specific Depreciation Fund is charged there is in a great many cases a surplus of value when the loan is repaid. The first generation repays the borrowed capital and often leaves a slight surplus of value to the next generation. Can anything more be expected of it?

The argument of those municipalities which do put aside a full Depreciation Fund is that every business principle demands that once an undertaking is started, wherever the initial capital comes from or on whatever terms it may be borrowed, the plant should be maintained at its full value out of revenue; and where this is impossible by mere repairs year after year it must be done by means of a Depreciation Fund, as a private company would do. True, the company would not in addition require a Sinking Fund, but then it is a recognised principle that no permanent local debt should exist even for trading purposes, and this Sinking Fund should be the only difference between the practice of a municipality and that of a private company in a similar undertaking, so far as the keeping of accounts is concerned.

Which of these views are we to accept as the soundest finance? Parliament and the Departments have at no time given a decisive answer to the question, but I think the latter is the true view in the cases of reproductive undertakings which I am considering. It is very undesirable that the system of borrowing and re-borrowing every thirty years or so should become a fixed principle, as it certainly will unless the general present practice is changed; and while it is a first principle that there should be no permanent local debt it is curious that something very like a permanent debt for reproductive undertakings can be the only outcome of present methods. But are we then to advocate that every municipality should be obliged to institute an adequate Depreciation Fund while other matters remain as they are at present? We must admit that to do so would be to take the life of the subject into account twice over, with the result that the first generation would be burdened twice as much as the second and succeeding generations. We are, then, landed into something like a dilemma. Every municipal reproductive undertaking subject to depreciation which ordinary annual expenditure on repairs cannot obviate, ought on business principles

to set aside an adequate Depreciation Fund. But this would be inequitable to the first generation if it has also to pay a Sinking Fund based on the life of the subject. From this dilemma arises the existing confusion of practice.

One of the recommendations of the Committee on Repayment of Loans is "that power should be given to the sanctioning authority to make it a condition of their sanction that provision should be made for the probable annual average cost of repairs during the currency of the loan," and such a Repairs Fund seems to be confused with a Depreciation Fund. But even if you equalised the annual amount to be set aside for mere repairs over a period of years you have not provided against depreciation. The repairs, of course, must be done out of revenue, but they cannot prevent depreciation in these undertakings, for the time comes when complete renewal—say, tram-lines—is necessary. This distinction between repairs and renewals is vital, and if, as it seems probable, the latter are intended merely that the sum required for the complete renewal of say, thirty years, should be estimated in advance, so as to make the first year bear as much of the cost as the last, the point I am urging is quite unaffected by it. The repairs are done now in some way or other out of revenue, and the method of meeting repairs is an entirely different question from the complete renewal of plant. That the plant shall be kept in fair working order during its life by necessary repairs has been assumed throughout this paper, and in practice the suggestion of a Repairs Fund may be found valuable; but a corporation which has a Sinking Fund and a Repairs Fund will have to borrow afresh whenever it wants to *renew*, just as it would have to do if it merely met the necessary repairs each year from that year's revenue. So far as the Report of the Select Committee is concerned there is no way out of the dilemma.

The only way out of the muddle is to recognise that there are classes of reproductive undertakings which are now being forced into a bed of Procrustes which they can only fit by violence, and it is possible to give very strong theoretical as well as practical reasons in favour of a change of system. The function of a Depreciation Fund is clear; it is required in certain undertakings where the annual expenditure on repairs does not balance the loss of value due to wear and tear, and such factors as obsolescence. Its function is maintenance of value where the disbursements for repairs cannot by the nature of the plant obviate shrinkage of value, and it should therefore be of such a

character that the value of the plant, *plus* the Depreciation Fund, is always equal to the original capital expended. No sound trading company would declare its profits in any year until this charge had been made upon the receipts of the undertaking, otherwise the capital would not be kept intact. Obviously, then, the Depreciation Fund is determined by the life of the subject, for if a tram car lasts five years, one-fifth of its value should be written off capital account each year, and that sum set aside for depreciation. The function of a Sinking Fund is to repay debt; but the length of the period may be fixed in each case by a variety of considerations. In the case of some municipal debts, the period, as I showed, has no reference to the life of the subject. A debt for a permanent subject is usually paid off in two generations. But in many of the early cases of loans for sanitary and public health purposes it was found to be very convenient to take the probable useful life as the maximum period allowable, and usually the period granted was much shorter. Depreciation, therefore, was met by the Sinking Fund just as it sometimes is in the case of a mine or other subject which will be worked out in a measurable period, and in most cases this was not only justifiable on the ground of convenience, but also on the ground that it was the only possible way of distributing the burden in an equitable manner for unproductive works. When the large borrowings for reproductive works began this same system was followed, and is followed to-day, and if we are prepared to say that re-borrowing at the end of the Sinking Fund period to re-instate the works is the proper principle for municipal reproductive undertakings we shall acquiesce in this application of the system. The Sinking Fund in that case is the Depreciation Fund. But most students of municipal finance, whatever their views on the sphere of municipal trading may be, will not hesitate to condemn a system which means practically a permanent debt for the capital of these undertakings. The only alternative as the law now stands is for municipalities to institute a Depreciation Fund in addition, and that, as I said, may be reasonably opposed as too great a burden upon the first generation, though a few municipalities have accepted the burden and taken the life of the subject into account twice over.

A better way than either of these, which at the same time avoids the Scylla of a permanent debt and the Charybdis of over-burdening the first generation, would be to insist upon a Depreciation Fund in every reproductive undertaking in which maintenance of value is impossible without it, and at the

same time to have a Sinking Fund which is *not* limited to the life of the subject. In the nature of a Sinking Fund there is nothing which requires that the life of the subject should be the determinant of the period. In certain cases it may be convenient; in those with which I am specially concerned it is neither convenient nor reasonable *if a Depreciation Fund is kept*. In this way we obtain a scheme by which a municipality may spread the repayment of its debt for a particular undertaking over a convenient period of years and not require again to borrow capital for it, except, of course, where a large extension is to be made. If the equated life of a tramway undertaking is thirty years and the Depreciation Fund is fixed upon that basis, there is no reason whatever why the life of the subject should also fix the Sinking Fund period, but every reason against it. The repayment of the debt is a matter to be decided by quite other principles, and I see no reason why the Sinking Fund period should not be two generations or so.

It would be possible to show that such a scheme would give a satisfactory solution to many of the minor difficulties such as the postponement of the Sinking Fund during the period of construction; but I must close by saying that while such a scheme would lessen the burden of the present in a very few towns it would increase it in most places and would increase it over the whole. That this is not an undesirable result when we consider the magnitude of the issues, and the necessity of safeguarding the future will, I think, be generally admitted; and any slight difficulties of administration which it might involve would be more than counterbalanced by the gain, since our only alternative seems to be the present chaos with its attendant risks to posterity, resulting from statutory conditions which have no strong support from theory or from business experience. •

S. H. TURNER •

REVIEWS

Imperial Fiscal Reform. By SIR VINCENT H. P. CAILLARD
(London : Edwin Arnold. 1903. 8vo, pp. xx. 288.)

ABOUT half of this volume, we are told in the preface, is based on a series of articles that appeared in the *National Review* in the early part of 1902. The author had designed a work of wider and more ambitious scope, but the speech of Mr. Chamberlain in May, 1903, made a change in this as in so many other political and literary projects, and though still hoping at a more convenient season to complete the larger work, Sir Vincent Caillard thought it would be most useful to reproduce immediately the figures and arguments by which he had been led to anticipate, in part at least, Mr. Chamberlain's programme. In justice to the author this preliminary explanation must be borne in mind. The book was written without reference to the fiscal Blue-book or the later developments in Mr. Chamberlain's speeches. In the meantime, instead of completing the larger literary work the author has been called upon to take part in a much more arduous undertaking and has accepted a seat on Mr. Chamberlain's (private) Commission. In itself, and especially in view of this appointment, the present work is one of the most interesting of the contributions to fiscal literature. It may be read with great advantage by any one who has taken his ideas solely from Mr. Chamberlain's speeches, and some *Daily Resonator* of these speeches. To the fevered mind of such an one Sir Vincent's book will afford relief on the principles of Pasteur, or without metaphor he will find the most reasonable of the ideas of fiscal reformers expressed with moderation and lucidity and with no more of shading than is required for due literary effect. The author has not made up his own political economy at first hand, but to begin with has carefully studied the general argument of J. S. Mill and the restatement and the exceptions of Sidgwick

and more recent writers. His main difference with these later critics of Mill is that he thinks less of the negative argument founded on the want of wisdom, &c., of governments, and he attaches more weight to the exceptions and less to the general rule. He supposes also that during the last twenty or thirty years conditions have changed to such an extent that the experience of the previous generation of free trade is not conclusive, and that the question must be fought over again. The book is, in brief, a reasoned statement of the case for the reversal of our fiscal policy—and is written on the whole with studied moderation: *media felix via* as the author says of himself. It is true that the academic economist who is well up in his literature will not find anything very new or even newly expressed, but he may receive, if he cares to take it, a lesson in practical wisdom. He may find it expedient to descend from putting the final touch of utility to the weather cock on the top of the economic edifice and set himself to consider whether the change in the environment has not shaken the foundations. That is a most important practical problem in this country under actual conditions. He must either show that the old principles can be applied to the new conditions or he must accept new principles.

If, as is hoped, Sir Vincent Caillard has time after the completion of the scientific tariff to complete the larger work he may be invited to show much more clearly how conditions have changed since 1872, and why the policy which it is admitted was beneficial and successful after the repeal of the Corn Laws up to that time became unfit to survive beyond that date. The fiscal Blue-book gives a remarkable record of prosperity compared with former periods and with other countries, that is to say if we take the condition of the country in general as shown by the usual tests, *e.g.* wages, nominal and real; income tax returns; railway traffics; pauperism, emigration and unemployment. The falling off in the rate of expansion of one part of the export trade is not sufficient to turn the balance of evidence. Even Mr. Balfour admitted that the present was satisfactory enough and rested his argument on tendencies and hypothetical islands and the other aids to prophecy usual in economics. But economic prophets, even the best, have been rather unlucky; Adam Smith, for example, prophesied something about Free Trade and Utopia, and something else about the importation of corn and cattle which were not in the scroll; and it is quite possible that even Mr. Chamberlain may turn out to be not a Mahomet but a Mahdi. But on the whole what is required just now is not prophecy but

a careful study of the changes in conditions with the view of discovering if a change of policy is in any way desirable. Most writers on fiscal reform think they prove their point by simply calling attention to the vast improvement in communication both by sea and land and to the growth of manufacturing power in foreign states. The facts are undoubted, but what is the bearing on free trade and protection? The curious thing is that when most fiscal reformers come to give the arguments for a reversion to protection they use arguments which have nothing whatever to do with the change in conditions, but were used and were just as valid or invalid in the middle ages as now. They argue exactly as their mediæval prototypes that if a thing is imported that can be made at home, labour loses to that extent. That is the favourite argument of Mr. Chamberlain himself; but it has nothing whatever to do with change of conditions. The logical conclusion of such an argument is the old Chinese policy, and there are certainly a great many people in China. But what we want to know is why should improvements in transport and in telegraphs and in market organisation favour protection more than free trade. Military metaphors are in fashion with the reversion to old ideas of trade, and a military metaphor may be of service. Suppose the question were raised if soldiers should revert to some form of protective armour. Would it be of any use to point out that the conditions of war and the power of weapons have changed since Waterloo or Sedan, and that soldiers need more protection? Plainly we ought to connect the change in conditions with the changes proposed.

Sir Vincent Caillard has six preliminary chapters on the change in conditions, but the *nexus* with protection is extremely imperfect. It is this imperfection which is the source of the inconsistencies which are the principal failings in the book. And with a notice of some of these inconsistencies this review may fittingly close. Sometimes we are told that there are signs that our capital, formerly invested abroad, is being returned in the form of consumable commodities which apparently cease to be capital on landing on our shores, though capital when they leave the shores of the foreigner. But at other places the author complains that our capital cannot find employment at home and is being sent abroad. Now, no doubt with the improvements in transport, &c., capital can be more easily sent abroad or brought home, but what is the bearing on fiscal policy? and first of all:—which movement is preferable? Suppose a man sells American railways at a high price and invests in an industrial company at home under the chair-

manship (say) of Mr. Brailsford, the capital does not cease to be capital immediately, and until it is lost it will help to employ British labour. Possibly if Mr. Chamberlain's policy is adopted the capital will not be lost at all, and all will go well with the British labour employed. Is this not better than accumulating at compound interest abroad? But apart from the question which flow of capital is preferable—the inward or the outward—there is the further question: Which is more probable under the changed conditions? And next, how will the stream be affected by protection?

Then, again, take the export of coal. So long as it appears as a visible export in the aggregate returns of exports it seems to be a cause for alarm if there is any increase, but if it is used in making manufactures sent to the foreigner, or in carrying goods for him, or is exported in other invisible forms it is a national benefit. And why should such stress be laid on the export of manufactures? Surely to a sea-power the growth of shipping is of more importance.

The author in many places lays great stress on the importance of production on a large scale and he seems to think the greater the country the greater the scale, and the greater the advantage. But he does not consider the limits to the growth of individual businesses (as discussed by Professor Marshall) and the dangers to the large country of the creation of trusts. We are warned of the dangers to this country of foreign trusts, but the danger to the countries themselves from their own Frankensteins is passed over.

Sir Vincent Caillard insists throughout that the new duties ought to be moderate so as not to exclude foreign goods altogether. But it is not clear if the duties are to be protectionist why they should not be increased as in other countries.

In dealing with colonial preferences it seems to be assumed that this is the only alternative, although it is true a partial approval is given to Professor Davidson's proposal for subsidies to steamers. But if the subsidy or bounty principle is once admitted there are many ways in which it might be applied, and one or more of them may be preferable to the taxation of food which is opposed to the sentiments of a large number of people in this country. The book is, in short, a good statement of a bad case, and the defects are natural.

J. S. NICHOLSON

Free Trade, Protection, Dumping, Bounties, and Preferential Tariffs. By HENRY A. AGACY. (London: Longmans. 1903. Pp. 83).

THIS book, as we are informed in the postscript, was written before the publication of Mr. Balfour's pamphlet and the fiscal Blue-book. In this case, however, the fact that these sources were not available is not of so much importance since, according to the author's plan, the principal object is to discuss principles and ideas independently of particular statesmen and their proposals, and independently also of statistical proofs. The work is in effect a preliminary inquiry with the object of making clear the issues involved and in a very general way the relative merits of conflicting fiscal policies. As such the book ought to be useful to the general reader who is open to conviction, but is rather bewildered by the complexity of the various problems which go to make up the fiscal question. The writer does not, however, confine himself entirely to an exposition of the views of others, but by way of conclusion indicates his own proposals as regards imperial and colonial policy. The work has considerable merits, and not the least is its brevity. Most writers make the mistake of thinking that their ideas are of so pure a spirit that for ordinary consumption they must be largely diluted, or else they have never learnt the economy of words. In the matter of about eighty pages of good type and broad margins, Mr. Agacy contrives to go over the whole ground so far as the leading ideas are concerned. The first chapter is entitled, "What are the issues?" and the first issue is given as the choice between Free Trade and Protection.

Here the author, instead of admitting your Protectionist is your only true Free Trader, boldly and clearly insists that whatever disguises it may assume Protection is different from Free Trade, and also that Protection once begun is sure to be progressive. "Nine-tenths of the persons who are arguing in favour of any changes are arguing consciously or unconsciously in favour of Protection, because the changes they recommend would inevitably lead to Protection, and therein lies our chief danger." The truth of this observation has been speedily shown by the actual development of the fiscal controversy. The advocates of Protection have almost ceased to be afraid of the word, and the policy of mere retaliation (or negotiation), with the view simply of extending Free Trade, has already become a shibboleth. Protection to home industries is now the policy that holds the

field of the tariff reformer. The issue between Protection and Free Trade is the vital issue; but Mr. Agacy holds that certain modifications of our present practice are possible without infringing the real principles of Free Trade, and accordingly various subordinate issues are formulated and examined. With regard to the fundamental question (ch. 2)—Is it desirable to abandon Free Trade for Protection? The writer answers most emphatically in the negative. Most of the arguments advanced are from the nature of the case old, but they are freshly stated, and, as is only too clear from the daily press, a restatement is certainly required. It is not that people have forgotten the old arguments—you cannot forget what you have never heard of. The only explanation of the flow of fallacies in speeches and letters, not to say leaders, in the daily press is that there is a prevailing ignorance of the methods of economic analysis. Mr. Agacy uses the simple economic methods with great effect, and at the present stage of the controversy it is the simple methods that require most emphasis. When people have learnt to understand the meaning of the balance of trade and to analyse international indebtedness they may begin to consider the incidence of import duties. In his next chapter (3) our author examines certain cases in which he thinks our present policy might be modified without any infringement of Free Trade. In particular the effects of dumping are considered, and it is maintained that it should be met by countervailing duties. The duties are in no case to be so high as to afford protection, and are only to be used in the case of large and well-established industries in which under natural conditions we can fairly hold our own. Similarly as regards bounties and quasi-bounties (such as low freights on exports), it is held that the natural course of trade ought to be restored. Here it may be said that the theoretical treatment is satisfactory from the author's standpoint, but the practical question cannot be decided so easily. There is, for example, no discussion of the point whether dumping is to be checked by the action of the executive without application to Parliament. A similar criticism may be made of the chapter (4) on colonial preferences. The principles are well stated and are applied so as to be free from the evils of Protection. The home country and the colonies are each to preserve their own fiscal policy, but it is supposed that a certain amount of preference may be given on both sides without disturbing this fundamental maxim of self-government. If a colony can send us something at practically the same price as any foreign country then a

preference to the colony would only determine the source of the supply and would not affect prices. Similarly the colony might give to this country a preference which would not raise (and might lower) colonial prices, and thus without cost promote inter-imperial trade. There, again, the difficulty is in the working, especially as conditions change. Finally, the author proposes that certain revenue taxes might be imposed on manufactures in which we had no advantage, and that the proceeds should be given by way of bounties to promote certain colonial interests, *e.g.*, the development of some industry which might eventually be of advantage to the Empire. In the next chapter it is argued that the State should actively co-operate in various ways for the promotion of commercial affairs, and again it may be observed, the practical difficulty is to decide on the best means of applying the power of the State. The concluding chapter gives a useful *résumé* of the argument, and calls attention to Mr. Balfour's pamphlet with the general argument of which agreement is expressed, and to the fiscal Blue-book which it is pointed out shows the present prosperity of the country. It will be obvious from the wide range of topics discussed that, as already indicated, the chief merit of the book lies in the presentation with a due sense of proportion of the principles, ideas, and ideals of the controversy rather than in a final treatment of any one topic.

J. S. NICHOLSON

The Tariff Problem. By W. J. ASHLEY. Second edition, with an additional chapter. (London: King and Sons. Pp. 269.)

PROFESSOR ASHLEY'S *Tariff Problem* in its original form was written under pressure, and apparently with an insufficient supply of books of reference. It was written also at an early stage of the fiscal controversy, before the fiscal Blue-book and multitudes of special articles and speeches had thrown their light upon almost every principle and detail. Under these circumstances, and especially seeing that Professor Ashley's opinions have been largely quoted, it is a matter for regret that he did not subject his first edition to a thorough revision. No doubt, apart from any revision, the work stands high in merit above the average of fiscal literature on the side of the tariff reformers, but then the average is so deplorably low that this is not very high praise. As pointed out by Professor Edgeworth in his review in the last number of this JOURNAL, the author avoids the exploded fallacies of the common reformer and he uses the usual analytical method,

at any rate, in its simplest form. But we expect much more than this of Professor Ashley. We all know and appreciate most highly his *Economic History*, and many of the *Essays* in his latest *Surveys* are admirable, e.g. that on the Tory origin of the Free Trade policy.

Attention may be directed to some of the blemishes of the first edition which have not been removed as one might have anticipated. In the first place, the introductory chapter on State Control in general is marred by an inadequate and misleading account of Adam Smith's system of natural liberty. The omission, from the passage quoted from Adam Smith that gives the compendious description of the system, of the most important qualifying phrase was no doubt accidental, but it is significant of the whole treatment. What Adam Smith wrote was this: "Every man, *as long as he does not violate the laws of justice*, is left perfectly free," &c., &c. The clause in italics is omitted by Professor Ashley. But it is this very clause that indicates the connection of Adam Smith's economics with his moral philosophy and jurisprudence, and it would be easy to quote numerous passages of the highest importance from the *Wealth of Nations* itself, which show that later economists who opposed factory legislation and other regulations in favour of labour, were not following the lines laid down by their professed master. The whole chapter, indeed, as an introduction to tariff reform, seems, to say the least, disproportionate. So ardent a Free Trader as the late Duke of Argyll maintained that the history of the nineteenth century had shown that freedom of trade involved regulation of labour. Amongst other uncorrected blemishes may be noted the reference to the depressed condition in which war had left Continental nations before 1846, and the statement that the British manufacturers had no longer any fear of foreign imports. Re-perusal of Porter's *Progress of the Nation* will recall to Professor Ashley the fact that this country had by no means a monopoly of manufactures in the twenty years that preceded the repeal of the Corn Laws. Again, the implication that the tendency of productive power in Britain in recent years is towards low grade industry that depends on cheap labour and nasty methods, is, if not the reverse of the truth, at any rate grossly exaggerated. If this were in the main true, how does Professor Ashley account for the great rise in wages that is so clearly revealed in the Blue-book, or what does he make of Mr. Helm's account of the cotton trade in an essay published under his own editorship? Surely the

doctrine of comparative cost as regards labour is much better illustrated by reference to the growth of our exports of coal, coupled with the rise in miners' wages, and by the continued migration of labour from the country in spite of the great rise in agricultural wages. The Blue-book shows that, on the whole, in the Free Trade era the displacement of labour has been from lower to higher grades, and that the progress emphasised in a famous essay of Sir Robert Giffen has been continued.

The new chapter begins with a very slight treatment of the question of foreign investments. No account is taken of the vital difference, namely, whether the country has an overflowing amount of capital, or if the export to foreign nations means the curtailment of home industry. As regards the account of our shipping, the summary of facts is interesting, but is hardly capable of the alarmist interpretation given to it by Professor Ashley. The statement on p. 238 that the policy of the Navigation Act was effective in the hands of England against Holland in the seventeenth century requires reconsideration in the light of the opinion expressed by Dr. Cunningham. "There is not sufficient proof of any direct connection between this celebrated measure and the decline of Holland," and, indeed, he expressly says that the Dutch marine did not decline in the seventeenth century, and that in the trade in the Baltic it actually increased in consequence of this very Navigation Act.

In conclusion, I would plead that perhaps in consequence of the very high opinion I have of Professor Ashley's former work, I have expected too much and have been disappointed.

J. SHIELD NICHOLSON

The Riddle of the Tariff. A. C. PIGOU. (London: Brimley Johnson. 1903. Pp. 107.)

It is impossible within the space allotted to reviews in the ECONOMIC JOURNAL to examine the total mass of literature on the fiscal question. It must suffice to test samples. In the last number we criticised what seemed the best book on the Protectionist side. The high honour of occupying a similar position on the other side seems deserved by the work before us.

In Mr. Pigou's lucid order two cries—that our national trade is decaying, and that our empire is falling to pieces—are considered as claiming urgency for four plans—protection in general, or limited to defence against the aggression of foreign monopolies,

tariff bargaining, and Imperial preference. Advising the reader to follow carefully our author's contention that the evils are mostly imaginary and the remedies ineffectual, we shall only advert to some passages which seem particularly just or striking.

The dislocation of industry through foreign competition, which excites the first cry, is, he observes, "only a single species of a far larger genus. It is not because of Free Trade, but because the industrial army is continually advancing, that the road is strewn with abandoned baggage and lagging men." It is shown that the importation of foreign goods cannot injure our industries as a whole; since augmented imports must be paid for by augmented exports, unless, indeed, by exporting securities we are diminishing the sum total of our investments abroad. There is no evidence that we are doing so; and, even if it were the fact, argues Mr. Pigou, "it does not follow that any permanent reduction of employment would be involved. The capital withdrawn from investment abroad would almost certainly be reinvested in England."

Dumping, against which the limited kinds of protection are specially invoked, is of two kinds. Trusts and cartels in protected countries may find it profitable on the average, and, taking one year with another, to accept abroad prices considerably lower than those which they charge to the home consumer; or the foreign monopolist may pour goods into our markets at prices which, if continued for long, would ruin him, but which he is willing to take for a short time in the hope of driving his English competitors out of business. The fluctuation caused by the first process is probably not a very serious evil; the remedy is possibly worse. "In order to keep the prices of most imports stable an extraordinarily elaborate mobile and inquisitorial tariff system would be required." The attempt to secure stability in the price of corn by the "sliding-scale" did not prove an encouraging experiment. The second, more drastic, species of dumping is not proved to exist. It cannot be realised except with commodities whose production outside of England is in the hands of a Trust which practically dominates the world. For it will not be worth while for a group of American or German producers to make heavy sacrifices in order to destroy their English rivals if other foreign producers are in the field, whose competition would prevent them from subsequently exacting the higher prices out of which their compensation should come. If, indeed, the practice really existed, there would be a *prima facie* case for temporary protection. Against it have to be weighed the practical difficulties

in the way of selecting the proper cases for intervention, the time for beginning it and for leaving it off. "Can we seriously suppose that a democratic Government, pressed upon all hands by interested suitors, bewildered by conflicting evidence, nervous of offending political adherents, would prove itself equal to that Herculean task?"

A similar intrusion of the "co-efficients of human ignorance and frailty" may be expected if tariff bargaining is attempted. Even if the diplomacy were in the hands of a "Cabinet of Solomons" the probability of net advantage would not be very great under the existing conditions. In this case Mr. Pigou admits it to be possible that in spite of the most-favoured nation clause there might be a real adverse discrimination against us in the class of goods which foreigners agree to tax. But he thinks "the fact that we are all-round manufacturers, and that our exports are exceedingly various, make it improbable that the evil, if it exists at all, is particularly serious."

On the subject of Imperial preference Mr. Pigou's close reasoning should be studied in connection with the demonstrations which he has given in the January number of the *Fortnightly Review* and elsewhere. The power with which he wields the organon of economic theory is of the highest promise. One who had observed the early work of Clerk Maxwell remarked: "it is impossible for that man to go wrong in physics." For "physics" substitute what Jevons called the "mechanics" of industry and trade, and the dictum might be applied without extravagance to the author of the analysis that we have mentioned.

F. Y. EDGEWORTH

Elements of Political Economy. By J. SHIELD NICHOLSON.
(London: Black. 1903. Pp. 538.)

THE scientific character of a work which is based on the author's *Principles of Political Economy* may be taken for granted. The claim of the work to the character of "Elements" may be defended, whether we consider the points in which it differs from, or those in which it agrees with, the larger treatise.

One difference adapted to the requirement of beginners is the suppression of controversy. The references to economic literature are reduced, and presented in a form which, it may be hoped, is calculated rather to allure than alarm the youthful student. The comparative terseness of the compendium accounts

for another differentiating characteristic, a certain tendency proper to brevity. We shall dwell on one or two instances as illustrating the difficulties which obstruct the communication of economic knowledge in elementary doses. In the larger treatise Professor Nicholson had observed in the course of his lucid discussion of monopoly values (*Principles*, Vol. II., p. 66) that the monopolist must be able to adjust price and supply to any change in demand. "The monopolist, in the face of a fall of demand may indeed maintain his minimum price, but in most cases he will no longer obtain the maximum return possible, and in some cases the maintenance of the price might involve an actual loss." This is perfectly correct; both the assertion that the price which the monopolist will fix in the new conditions will not in general be the same as the old price, and the suggestion that the new price will be lower than the old price. But in some circumstances it is possible (as pointed out in the *ECONOMIC JOURNAL*, Vol. VII., p. 235) that the fall in demand might be accompanied by a change of elasticity, such that it might prove to the interest of the monopolist not to lower the price, but to raise it, or at least to keep it the same. Can it be right then to say unconditionally in the *Elements* (p. 248): "If with a fall in demand he [the monopolist] tries to maintain the old price he will no longer obtain the maximum profit possible under the circumstances"? Quite right, we submit, regard being had to the character of a compendious work necessitating round statements. A fall in demand will be attended with a fall in monopoly price, unless there at the same time occurs a considerable diminution in the elasticity of demand. But as there is in general no reason to believe that a fall in demand will be attended with a change of elasticity in one direction rather than another, so it is most probable that a fall in demand will be attended with a fall in price; that is the general or typical case. By a parity of probable reasoning our author is quite justified in stating, without further reservation than is implied in reference to the mathematical treatment of the subject: "Any improvements . . . that enable the same amount of land to raise the same supply at less marginal cost have the same effects [as "improvements that enable the same amount of produce to be raised from less land"], namely, a fall in money rents." (*Cf. ECONOMIC JOURNAL*, XIII, p. 626). Such round statements of economic truth are sometimes necessitated by the writer's want of space and the reader's want of training. Where under the conditions it is only possible to convey one idea it should be clear and appropriate to the typical case. To

attempt more might result in the learner's obtaining no clear idea at all, or perhaps a wrong idea, the exception without the rule—a state of mind like that of the American Protectionist of whom it was, metaphorically said that he could see a fly on a barn-door without seeing the barn or the door. Doubtless it is better to teach both the rule and the exception when the subject is of sufficient importance to justify a full exposition. The clear and candid statement of “theoretical exceptions to Free Trade” (*Elements*, p. 491, p. 358) does not obscure the general truth that “although there are many cases ‘worthy of deliberation’ there are very few worthy of adoption.”

Among features of resemblance between the *Elements* and the *Principles* which conduce to the convenience of beginners is that arrangement of the subject according to which Distribution is discussed before Exchange. Since in the modern world Distribution is effected by a play of supply and demand it is tenable that in a logical order the theory of value should have precedence. It is thus that a mathematical student may first master the abstract theory of dynamics, then apply the theory to the motions of the heavenly bodies. But all are not disposed to “take the high priori road, and reason downwards.” The interests of the visible world must be displayed to the average student in order to allure him to the regions of abstraction. The elementary teacher may be well advised in not affecting a too severely logical order. Like the poet he should rush into the midst of things. As the poet in the course of prolonged digressions still keeps by occasional allusions the leading personage in the reader's thoughts, so throughout our author's book on Distribution we are reminded by occasional references that the subject is dependent on the theory of Value (*Elements*, pp. 22, 66—7).

There is a further reason in favour of the arrangement adopted by Professor Nicholson: it is Mill's arrangement. The treatment of Progress in a separate Book is similarly justified. Considering that Mill's Political Economy still forms a part of the curriculum in more than one distinguished University, a text-book which will serve as a *vade mecum* for travellers along that smooth but not always easy road to economic knowledge may well be a *desideratum*.

F. Y. EDGEWORTH

Der Ausbau des heutigen Schutzzollsystems in Frankreich. By DR. BERNARD FRANKE. (Leipzig: Duncker and Humblot. 1903. 800 pp. xii, 148. Price 4 marks.)

THIS volume (which forms Part I. of Vol. xxii. of the "Staats- und socialwissenschaftliche Forschungen" edited by Schmoller and Sering) gives a brief account of the development of the protectionist policy in France from the point of view of a believer in moderate tariffs. It constitutes, therefore, a study of great interest and importance to all engaged upon our own "fiscal question." The author's conclusion is that "the preceding enquiries lead us to recognise that the French protectionist policy has on the whole had no sort of extraordinary success but that it has succeeded in ensuring a quiet, slowly progressive development of French industry. They show that the much condemned 'tariff reform' is better than its reputation and that in the main it was the right thing for French circumstances. The numerous defects and extravagances, the artificialities and complications, in the whole modern French protective system—the aim of which is to give State help to every distressed branch of industry—have also been discussed. It has been shown that the several branches of industry have developed better after the tariff reform of 1892 than in the corresponding preceding period; that on the whole the colonies have gained by the protectionist policy; and that, on the contrary, artificial State-aid has helped the French mercantile marine but little." The backward condition of French industry, compared with that of other countries, is attributed by Dr. Franke to the stationary population, to the want of initiative among French merchants and manufacturers, and, above all, to the "Rentnergeist"—which perhaps may be translated the "Consols frame of mind"—of the people.

The quotation just made very fairly describes the methods of the author. If it seems that his results are too favourable to the protectionist, the free trader can comfort himself with the accounts of the costly tariff wars (the effects of which endured even after the proclamation of peace), the injury inflicted on shipbuilding by the heavy duties on iron and steel, and the stagnation of the silk industry. "It cannot be maintained," says the author, "that the high protective duties have been particularly advantageous to the production of silk . . . The condition of the French silk industry is no longer brilliant. Lyons is still unrivalled for some patterns, but the French silk industry has felt to a serious extent the competition of other countries." It is also

to be observed that the influence of other economic causes, besides protection, in producing the growth of trade after 1892, is not discussed by the author—a serious defect.

A useful list of books, etc., is given, but it would be much more useful if it were more bibliographically complete. This is a small blemish compared with the general merits of the book. It is distinctly a book which should be studied by British politicians at the present moment, and anyone who finds, like the present writer, reason to dissent from Dr. Franke's approval of the French protectionist system, will find abundant evidence at his hand in this fair and moderate volume.

HENRY W. MACROSTY

Les Cartells de l'Agriculture en Allemagne. By A. SOUCHON.
(Paris : Armand Colin. 1903. 8vo, pp. 351. Price 4 francs.)

WE are accustomed to regard the Agrarian League (Bund der Landwirthe) as a political and anti-socialist body, but its activities extend into many other spheres. The notion that it is a body of large landlords is equally mistaken, for it includes only 1,460 great landlords as against 7,540 moderate proprietors, 200,000 peasants, and 5,000 non-agricultural members. It sells to its members manure, seed, and agricultural machines : it reimburses the value of tuberculous cattle or pigs affected by trichinosis not intended for public sale ; it provides model account-books and will even for a small charge keep the accounts of individuals ; it is an active propagandist of co-operation and directs through its central agents about 450 co-operative societies. Besides 80 credit societies, 29 co-operative " stores," and 30 co-operative horse-breeding societies, there are 197 societies for the sale of milk and two for the sale of corn. In no other country, save perhaps Denmark, is the organisation of agriculture more complete, and it is not surprising that the League has tried to control the sale of farm produce with the view of securing higher prices and larger profits to the producers. Professor Souchon in his most interesting book describes the efforts that have been made to organise the sale of grain, meat, and milk, and the production of alcohol and sugar. In a series of appendices he gives the statutes of the Corn Warehouse Societies at Halle on the Saale and Hohenliche, the Central Society for the Sale of Cattle, the Central Society for the Sale of Milk, the Alcohol Kartell, and the Sugar Kartell.

As the author says : " It is always dangerous to sum up a descriptive study in a few conclusions ; people think that thereby

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HENRY W. MACROSTY

Les Cartells de l'Agriculture en Allemagne. By A. SOUCHON.
(Paris : Armand Colin. 1903. 8vo, pp. 351. Price 4 francs.)

WE are accustomed to regard the Agrarian League (Bund der Landwirthe) as a political and anti-socialist body, but its activities extend into many other spheres. The notion that it is a body of large landlords is equally mistaken, for it includes only 1,460 great landlords as against 7,540 moderate proprietors, 200,000 peasants, and 5,000 non-agricultural members. It sells to its members manure, seed, and agricultural machines : it reimburses the value of tuberculous cattle or pigs affected by trichinosis not intended for public sale ; it provides model account-books and will even for a small charge keep the accounts of individuals ; it is an active propagandist of co-operation and directs through its central agents about 450 co-operative societies. Besides 80 credit societies, 29 co-operative " stores," and 30 co-operative horse-breeding societies, there are 197 societies for the sale of milk and two for the sale of corn. In no other country, save perhaps Denmark, is the organisation of agriculture more complete, and it is not surprising that the League has tried to control the sale of farm produce with the view of securing higher prices and larger profits to the producers. Professor Souchon in his most interesting book describes the efforts that have been made to organise the sale of grain, meat, and milk, and the production of alcohol and sugar. In a series of appendices he gives the statutes of the Corn Warehouse Societies at Halle on the Saale and Hohenliche, the Central Society for the Sale of Cattle, the Central Society for the Sale of Milk, the Alcohol Kartell, and the Sugar Kartell.

As the author says : " It is always dangerous to sum up a descriptive study in a few conclusions ; people think that thereby

they gain in clearness, but they lose in truth." This is even more applicable to a review, and we can only advise the agriculturist as well as the student of business organisation to turn to Professor Souchon's pages for a detailed description of the societies which form his theme and a cool appreciation of their power and merits. His book is deserving of the highest praise for many reasons, and not least because it is written in a style which carries the reader with ease over masses of facts and figures.

The organisations aiming at the sale of grain, milk, and meat for the common interest of their members only cover a small portion of the total products, but they have succeeded in securing for the producers a respectable share of the profits that formerly went into the pockets of middlemen. Professor Souchon, however, shows no optimism as regards the future of kartells in grain or meat; milk affords better prospects owing to difficulties of transport. In any case the development of large agricultural kartells will depend on the growth of local co-operative sales-associations. Agriculture may unite those two contrary ideas of trust and co-operation, which in industry have been mutually hostile. The Spirit and Sugar Kartells have been almost exclusively industrial, and, being concerned with the utilisation of agricultural produce, have had only a reflex action on agriculture. Professor Souchon thinks that the development of agricultural kartells will be favoured by the increasing industrialisation of agriculture, and where estates are large, while a protective tariff is an absolute necessity except possibly in the case of milk. Combination will also be made easier, as in the case of manufactures, where the agricultural products are such as can be easily standardised or form the raw material of some other industry. So far the fears of consumers that they would suffer have not been justified except in the case of sugar. Lastly Professor Souchon does not seem enthusiastic about the prospect of a permanent advantage to the producers. The attempts at combination have all originated in periods of crisis, from the desire to escape from serious losses. Some successes there have been, but even under the strongest kartells "the real evil is in over-production and no agricultural kartell has done anything to combat it." Even if the other kartells develop greatly they will find their real difficulties begin when they call upon their members for a restriction of output.

HENRY W. MACROSTY

Les Trusts Américanis. Leur Action, économique, sociale, politique. By PAUL LAFARGUE. (Paris: Giard and Brière. 1903. Price 1 franc 50 centimes.)

THIS brochure is partly a study, partly a denunciation of trusts from the Marxian standpoint. It contains nothing new except an overestimate of the power of the Ocean Trust and a complete misunderstanding of the Tobacco War. The capture of the Belgian glass works by the American trust is also to be reckoned among American failures. But M. Lafargue has been hypnotised by the size of the trusts, especially as they can be made to fit so well into the Marxian doctrine. His conclusion is:—"The American capitalists expect lean years after the fat years of the extraordinary industrial activity, which has lasted since 1899; they foresee, as Mark Hanna says, the greatest panic the world has ever seen and the collapse of a large number of businesses; and they believe that the trusts, well provided with capital and solidly organised on a national and international basis, will resist the economic storm and rise up more gigantic than ever on the ruins heaped around them. But will the victims, who in all social grades will be reckoned by millions, bear their misfortunes with Christian resignation? Will they not force on the nationalisation of these industrial monopolies, which already is being demanded? If capitalism bursts up in America, it will burst up in Europe."

So once more the revolution is waiting round the next corner!

HENRY W. MACROSTY

Die Bewegung der Warenpreise in Deutschland von 1851 bis 1902.

By OTTO SCHMITZ. (Berlin: Siemenroth. 1903. Large 8vo, pp. 443. Price 12 marks.)

In a brief introduction the author explains the formation of index numbers and discusses some criticisms of their utility. The commonest error is to suppose that the same series of index numbers can be applied for all purposes, whereas if the object is to trace changes in the Standard of Life retail prices of finished products must be studied, and if changes in the general price level are under examination, then prices in their purest form—raw material at the place of production—must be selected. In studying general prices, also, Mr. Schmitz thinks that it is better to take prices in a single leading market than to take the average of a number of markets where local considerations, freight, &c.,

disturb the movement. Further, it is his view that the relative importance of commodities has not the great influence on the index number, which is often attributed to it. Another acute criticism is that the published average prices of commodities are not true averages, but only represent the mean of the different prices at which the class of goods was sold, without taking into account the quantities sold at the respective rates; practically, however, he thinks that in taking monthly averages these differences would cancel each other.

Mr. Schmitz has taken the prices recorded by the German Imperial Statistical Department since 1879, and the prices recorded by the Hamburg Bureau of Trade Statistics for 1851-85; as the two records overlap he is able to compute a consecutive series of index numbers since 1851. He gives the prices of 29 commodities arranged in six groups:—Grain, including wheat, rye, barley, oats, maize; products of agriculture and fishery—herrings, rape-seed oil, spirits, raw sugar, meat, lard; Colonial products—tobacco, coffee, rice, pepper; Textile raw materials—cotton, wool, hemp, raw silk, linen yarn; Metals—Silesian pig iron for casting, Westphalian Bessemer pigs, lead, copper, zinc, tin; Firing—Westphalian bituminous coal, Silesian gas coal, petroleum. Monthly prices are given for each of these commodities; monthly, quarterly, half-yearly, and yearly index numbers are calculated for each commodity and for each group. A total index number is then calculated for the same periods. Finally index numbers are given for periods of 5, 10, 22, 25, and 50 years. The ten years, 1879-88, are taken as a base period. The price movements in the different wares are illustrated by 43 coloured tables, annual averages being represented in columnar form. Owing to the method of shading adopted many of these tables are difficult to read, and there is absolutely no advantage over the ordinary curves. Exception may also be taken to the amalgamation of the prices of cattle, calves, sheep, and pigs into one average price for "meat." In two appendices particulars are given of the production of gold, the movement of the bank rate since 1851, and an attempt is made to trace the general history of wheat prices so far as records exist.

Only those who have to deal with index numbers can appreciate the labour of compiling a book of this kind—the task of ten years as the author says. It can be thoroughly recommended to all whose studies lead them to compare prices in different countries,

HENRY W. MACROSTY

The Fundamental Problem in Monetary Science. By CORREA MOYLAN WALSH. (New York: The Macmillan Co. 1903.)

IN a notice in this Journal, Vol. XI. p. 404, of a book previously published by Mr. Walsh, it was said that the capacity for taking endless trouble distinguishes the work of this author. This opinion will certainly be confirmed by a perusal of the volume now under review. The labour involved in the research alone must have been enormous, and nowhere else, as far as I am aware, has the problem here dealt with been discussed in such a searching manner.

The book is divided into four Parts. In Part I., "Introduction," we find the nature of the problem set forth. It having been "almost universally recognised" that the primary quality of good money is stability of value, the author sets himself the task of considering "what kind of value is it that money measures and stores and should possess in a stable manner" (p. 2). After discussing use-value, he narrows the question to the selection between exchange-value, cost-value, and esteem-value as being the proper kind of value for this purpose; esteem-value being measured by the effort we are willing to put forth to acquire things; cost-value by the effort things cost their producers; and exchange-value by the purchasing power of one thing over things in general. Finally, he concludes that "the problem may be regarded as principally a two-faced one" (p. 12), that is, the choice between *commodity-value* or exchange-value and *labour-value*, under which heading he includes both cost and esteem-value.

Part II. consists of a historical survey of this problem, in which Mr. Walsh shows that economists, when demanding the invariability of the value of money, have attached different meanings to the same words. After some allusion to the vague ideas of the early economists, English readers will be a little startled to find Adam Smith described as "the father of confusion in modern political economy" (p. 46). Exchange-value was no doubt what Adam Smith nominally started with, but wages were his measure of "real value"; and wages, or rather earnings, are a measure of esteem-value, because "the more money people in general earn, the less they esteem it" (p. 50). Thus confusion arose from the application of the measure of esteem-value in order to ascertain the "exchangeable value" of money. Ricardo continued the confusion, generally meaning cost-value by value, though still confusing it at times with

exchange-value. Then follow two chapters in which the views of nearly twenty followers of Adam Smith and Ricardo are epitomised. Passing on to economists confused between a labour-value and exchange-value, we find over twenty names mentioned in this list, including Mill, Fawcett, Prof. A. Marshall, and Prof. Hadley. Mill is quoted as stating that a commodity universally produced by the same quantity of labour is a commodity always produced under one and the same combination of all the circumstances which affect "permanent value." But permanent value, according to Mr. Walsh, if thus determined, is cost-value and not exchange-value; though Mill declared that exchange-value was the only meaning which he intended to attach to the word value. And from this and from other passages, it is held to be impossible to definitely assert what was desired by Mill as regards the stability in value of money. Prof. A. Marshall is included in the list because, whilst he "clearly states" that money should be stable in general purchasing power, he also declares that injustice will be done to the working classes if money remains constant in exchange-value when the efficiency of labour is increasing.

In the remaining chapters of Part II., we find a discussion of the views of nearly fifty more writers on money, under the headings of "Economists who have passed from one standard to the other standard," "Continuators of the early doctrine of exchange-value," and "Mediators between the two standards," in which latter category my name appears.

In Part III., "Systematic Review," the views of different authors are sorted out, thus enabling the reader to estimate the volume of opinion on the different sides of the various questions involved in this controversy. With regard to the question whether debtors or creditors should gain the whole benefits arising from industrial progress, or whether these benefits should be shared between all parties, Mr. Walsh proves that the older economists help us but little in arriving at a solution, and that the recent economic writers are at variance.

Part IV. begins with general observations on the nature of the standards of value, including the commodity standard, the prices and wages standard, the wages standard, the earnings standard, and the cost standard; and he states that "the cost standard is the wages standard, or the earnings standard, with wages or earnings measured by the hour" (p. 282); whilst with money stable in esteem-value the average of all incomes should remain constant.

After these preliminary observations, Mr. Walsh attacks the problem itself, and although this part is headed "Toward a solution," these chapters read somewhat like a case in favour of money being stable in exchange-value, and for prices being stable during periods of industrial progress. It is impossible here to follow the author through all his arguments, some of which appear to me to be more subtle than solid. As to the question of justice to the creditor when debts are repaid, if we are only looking to possible reforms in monetary systems, Mr. Walsh hardly takes sufficient account of the fact that, for debts contracted after the regulation of money on any particular basis of value, the question of abstract justice would not arise; whereas, with regard to existing debts, the question of the just interpretation of a bargain between two parties which was understood by neither party can hardly be answered in a scientific manner.

Some of the arguments in favour of the exchange-value standard are both telling, and, I think, original. If I understand the general drift of the argument aright, Mr. Walsh would urge, though in very different words, that if we had to abandon gold as the standard of value, and if we had to decide on the value in which debts contracted in gold had to be repaid, it would appear just to select, as the standard of value, a commodity, real or imaginary, which followed the law of the average; and that if we acted thus, average prices would remain stable, however great the increase in average production might be (p. 311). He also very effectively suggests that falling prices produce a desire on the part of undertakers to limit output (p. 348); whilst urging, as has been often urged before, that falling prices unduly benefit the drones of industry (p. 350). But his arguments against the stability of money in exchange-value are, as it appears to me, not very well stated. If prices remain stationary in periods of progress, persons living on fixed incomes do not get any share in the benefits arising from that progress; but Mr. Walsh considers that it is wrong to state that in these circumstances they are "injured because they are not *given* a share in the progress of others" (p. 320). Men, however, do estimate their lot very largely by comparison with the lot of others, and it can hardly be denied that a class is rendered less contented, and injured in this sense, by the progress of others, and that a uniform distribution of benefits may be supported on utilitarian principles. In dealing with the question of the effect of various standards on the rate of interest, he measures "real interest" by exchange-value (p. 291), and I am inclined to think he has had the misfortune,

noticed by him as occurring to so many others, of falling into the trap set by the use of the word "real"; that is to say, having adopted the word "real," he is too apt to neglect all other possible meanings of the word before which this prefix "real" is used. Lastly, he underrates the stimulating effect of rising prices and the difficulties connected with the readjustment of wages, a readjustment which should take place with every increase of productive power if prices remain stable. The statement that "there is every reason to suspect that this contest [over salaries and wages] is as great, and consequently with as much friction, whatever be the behaviour of money, if steady and regular" (p. 357), does not appear to me to be well supported; and to say that money "is not a distributor of wealth" (p. 362), is to beg the question.

In the concluding chapter, Mr. Walsh pleads forcibly for a solution of this question, considering the existing confusion intolerable. The problem discussed is no doubt a fundamental one in the science of money. The question whether ten or some other number should serve as the base of enumeration is a fundamental one in arithmetic, though no one now considers it to be an important question. Mr. Walsh may in a similar way exaggerate the importance of his fundamental question. Guiding lines on which to work would no doubt be very useful in circumstances analogous to those which occurred in India when it became necessary to arbitrarily fix the gold price of the rupee, and thus arbitrarily to affect the value in which debts contracted in silver were to be repaid; and if ever the dreams of alchemists become true, and gold can be freely made out of other elements (not such a wild hypothesis as it would have appeared only a few months ago), the question of the proper regulation of inconvertible paper money, and the "value" it should be fixed at, would at once become one of great practical importance. Without doubt, therefore, we ought to be very grateful to Mr. Walsh for having undertaken this very careful, laborious, and able investigation, an investigation which certainly will greatly help his readers toward a solution of this difficult problem.

As a "mediator," however, I am not yet convinced that some compromise between the two standards would not be the best solution in case it ever became necessary to regulate the value of money. In many social questions—and the regulation of money would be a social question—the various conflicting considerations can never be reconciled, and the balance of advantages and disadvantages tells in different ways at different times and

places ; in which case the mediator can urge his views with great force. Mr. Walsh, I venture to think, frequently strives at too great theoretical purity in dealing with these many-sided problems. For example, it would be possible to devise a standard of value dependent on the price of the total output of commodities per man per annum, and the value thus measured would have some analogies with esteem value proper. Such a method of measuring value is condemned by Mr. Walsh in a previous work on grounds that are in themselves unanswerable ; and he appears to be led in this volume to consider that the only choice is that between general exchange-value measured by the price of units of commodities, and labour-value measured by wages or earnings. As he objects, on theoretical grounds, to the inclusion of wages and the prices of commodities in the same list, he is led to condemn any compromise between these two forms of value. But if he had been willing to forgive some theoretical shortcomings on the part of the output per man commodity standard, he might have found that his objections to a compromise were lessened.

In conclusion, I can only say that Mr. Walsh's work has both modified and enlarged my own views on the general subject of value ; and, as it is of immense importance that clear notions as to the meanings given to this word should obtain in all economic discussions, it appears to me that this volume constitutes a valuable addition to economic literature.

LEONARD DARWIN

The Money Problem. By ARTHUR KITSON. (London : Grant Richards. 1903.)

ACCORDING to Mr. Kitson, political economy "does not accomplish what it professes ; it fails to solve the problems with which it deals, it refuses to harmonise with established science, it is incoherent, illogical, irrational" (p. 23). Those who think there is no chance of being converted to these views will probably not find it worth their while to read this volume. The author is an advocate of paper money, "backed by wealth" and not by gold ; and he seems to believe that, since the average exchange value of commodities generally cannot vary, it follows that if paper money were issued on this basis, it would somehow or other remain stable in value. The following extracts may enable the reader to form a guess whether there is confusion in the mind of Mr. Kitson or in the mind of his reviewer ; one or the other

there certainly is. "The absurdity of limiting the amount of money issued, in order to maintain it at a certain 'value,' is equivalent to that of a railroad company limiting the number of tickets printed in order to maintain a certain fare" (p. 149). "Value arises only where scarcity exists—where the supply is limited; hence gold is the worst possible material of all for monetary purposes" (p. 153). "Under the system I propose variations in supply and demand of money could have no effect upon prices, because the supply would be always ample to meet the demand" (p. 225). "Further, the supply of money would be so abundant that interest for the use of money would rapidly disappear. *Interest is only possible with a restricted currency*" (p. 226).

LEONARD DARWIN

History of Coinage and Currency in the United States and the Perennial Contest for Sound Money. By A. BARTON HEPBURN. (New York: The Macmillan Co. 1903.)

As stated in the preface, a need existed for a work of convenient size covering the history of coinage and currency in the United States, and available as a book of reference; and this need Dr. Hepburn has supplied very well indeed in the volume now under review. The work is almost entirely historical, and, as a history, there is little to be said in the way of criticisms. The English reader, it is true, if not a banking expert, may find a little difficulty in preserving a clear conception of all the different kinds of paper money and of the conditions attached to them. This is a fault which it may, however, have been difficult to avoid if so much valuable information had to be compressed into a single volume.

The work is divided into five parts. In Part I. the period from Colonial times until the Civil War is dealt with, the coinage and the paper currency being separately treated. Part II. deals with the period from 1861 to 1890, thus including an account of the complicated monetary history of the War. The silver agitation after the war, and the National Banking system are discussed in separate chapters. Part III. brings the history of American Currency down to the present day, includes the silver contest of 1896 and the Reform Act of 1900. Parts IV. and V. consist of a Bibliography and an Appendix.

This work is, in fact, the record of an unceasing struggle in favour of sound monetary methods led by the intelligent few against widespread ignorance, prejudice, and self-seeking of the

many. Much has been accomplished during this struggle, but something remains still to be done. The enormous mass of silver accumulated in the Treasury is evidently considered to be an element of danger, for which, however, no remedy is clearly suggested. The sale of a portion of this silver, and the purchase of gold with the proceeds, is, perhaps, considered to be a reform too obvious and too unpopular to be worth discussing at present.

The main reforms suggested by Dr. Hepburn in the concluding chapter are connected with the Sub-Treasury system and the National Bank note issues. There is, however, little economic discussion in the preceding chapters to aid one in judging of their soundness. As to the first of these suggestions, Customs receipts must, under the present law, "be paid directly into the Treasury, and money once in the Treasury can only be gotten out by means of an appropriation by Congress." It is impossible to doubt the wisdom of reforms tending to diminish this seasonal and variable locking up of the currency in the Sub-Treasuries; and it is suggested that a law should be passed authorising the Secretary of the Treasury to deposit any and all funds over and above certain necessary reserves and balances in the banks in the leading commercial cities (p. 424).

As to the suggested reforms with regard to note issues, the fact that Dr. Hepburn is the Vice-President of a National Bank must make one consider his views both with respect and with caution. Under the existing system, seasonal stringencies occur because of the demand for money in connection with the movements of crops. National Banks can, it is true, increase their note issues by the deposit of bonds in the Treasury; but this is often not a paying transaction. The suggestion here made is that National Banks should be allowed to issue notes on the security of their assets without the deposit of any bonds, the necessary safeguards being confined to guarantee and safety funds. Dr. Hepburn considers that it is possible to estimate the mortality of banks by statistical inquiry as accurately as the mortality of human beings, and, judging by the analogy of life insurance offices, that notes issues can be made "perfectly safe and sound" by the means suggested (p. 427). The normal mortality of banks can thus, without doubt, be provided for; but life insurance offices do not guard against war risks, and the question is whether the suggested safeguards would be sufficient in any abnormal commercial crisis. Dr. Hepburn might answer that exceptional circumstances must be met by exceptional

measures. The legislation affecting the reserves of gold, and consequently their total volume, might be unaffected by the proposed changes; but the amount of coin in circulation and held for immediate use by the National Banks would be diminished. Thus any great increase in the facilities for note issues would obviously be a source of danger should commercial panics produce a tendency to hoard coin, for a large amount of coin normally in circulation and in temporary reserves must act as a safeguard at such times; but, on the other hand, the locking up of capital in gold reserves or in circulating gold is a loss to the nation. The various questions connected with monetary stringency are not, however, sufficiently discussed in this volume to give us much assistance in estimating the right weight to be attached to these opposing considerations; and it must be remembered that, as we are here accustomed to a system where notes are little needed, and where the seasonal stringencies are not severe, we may take an erroneous view of the wisdom for other countries of such reforms as are here suggested.

LEONARD DARWIN

Die Indische Währungsreform. By DR. OTTO HEYN (Berlin: Guttentag. 1903. Pp. ix, 575.)

DR. OTTO HEYN is a well-known writer on currency questions; his book on Indian Currency Reform, which is published under the auspices of the German association for the preservation of a gold standard (Verein zum Schutz der deutschen Goldwährung), will not fail to add to his reputation. The subject is a highly controversial one, but fortunately the main facts and statistics necessary for a study of the question are fairly complete. The problem is to study them critically in the light of economic science and to balance the good and evil effects of a gold standard for a country such as India. The Indian Government had contracted obligations in gold, while it retained a silver standard. The regular and increasing divergence of the difference between the value of gold and silver was a source of embarrassment to the Government. The fall in the gold value of silver was beneficial to certain industries, harmful to others, but a highly fluctuating exchange between Europe and India was a serious evil. *Prima facie* the situation was one which called for a remedy, but it must be remembered that the remedy adopted at one stroke lowered the value of all the silver ornaments possessed by millions of Indian

subjects. It may well be doubted whether the advisers of the Indian and Home Governments did not lay too much stress upon official convenience and too little upon the hardship caused to the poor. Now, however, the question has passed beyond the domain of controversy and the time has come to take stock of the facts. India has a gold standard with a token currency; one difficulty in the way of accurate budget forecasts has been removed; fifteen rupees are never very different in value from one pound sterling. Dr. Otto Heyn's book states the facts fairly and fully; he has used all the best material; he has treated it scientifically; it is a book which deserves high praise and careful study. The most important part of the book is that which deals with the industrial significance of the reform for India; this is treated in all the necessary detail, but it would take too much space to discuss or criticise each special topic. It is enough to say that the book is a very good one.

C. P. SANGER

British Industries: a Series of General Reviews for Business Men and Students. Edited by W. J. ASHLEY. (London: Longmans, Green and Co. 1903. Crown 8vo. 6s. net. Pp. xv., 232.)

THE Faculty of Commerce at Birmingham, like the movements recently initiated in other English academic centres both of ancient standing and of recent foundation, will be watched with a lively interest by all economists. For, although these several ventures differ in the relative importance assigned to particular varieties of the common objects kept in view, and in the details and even, to some extent, in the character of the instruction contemplated, yet the resemblances which they present are fully as conspicuous as the variations shown. Some of the schemes may be more comprehensive in the description of students for whom they hope to provide, and this spirit is perhaps especially characteristic of the older seats of learning. Others may be more closely and continuously concerned with the actual technique of business practice, and this purpose prevails in the newer Universities located in the midst of manufacturing and commercial life. Such an intention is emphasised at Birmingham by the very title given to the Faculty. Under its auspices the ten lectures contained in this book were delivered during the winter of 1902-3. Professor Ashley states in a Preface that the "main object of the volume is to serve the purposes of students in the new Faculties and Departments of

Commerce that are being created in our Universities"; and he also observes that "it was hoped that the lectures would prove" "interesting and suggestive to men already in business." "Men of affairs," he writes, "will find information in them not easily accessible elsewhere; and those who are concerned in the administration of one particular trade may perhaps learn something from the arrangements and experiments of other branches of business."

The book may therefore be regarded as a sample of a fresh type of instruction. We think that it would not be easy to introduce the new training under more favourable auspices than are thus furnished, or to present a more forcible recommendation of the curriculum of which this book is an illustrative example. Within a moderate compass a wealth of suggestive commentary is offered on the past history, the present position, and the future prospects of British Industries. Professor Ashley describes the volume, which does not extend to more than 232 pages, as a "modest contribution to the preliminary survey and description of English business life; toward that account of the external organisation of trade which one may call 'economic morphology.'" We could hardly have believed, before we had read these lectures, that it could have been possible to convey so much valuable information within such moderate limits. We think that any careful student will obtain from these pages, what we do not know that he could derive in such ample measure from any other source, an adequate general idea of the situation, the antecedents and the characteristics of the chief industries of this country. Nor, we can promise, will he be wearied by a dull repetition of dry detail. The lectures are as admirable in their freshness as they are remarkable for the mastery shown of their subjects as a whole by the respective lecturers, and for the just sense of proportion preserved in the allotment of the time at their disposal to the several divisions of which they wished to treat. A captious critic might perhaps accuse Mr. Grinling, who lectures on British Railways, of laying an excessive stress on the danger, to which railway companies are liable, of charging to capital what should be more properly charged to revenue, if, at any rate, sufficient allowance be made for necessary depreciation. But the emphasis is in accord with what the lecturer describes as the distinguishing characteristic of British Railways. He maintains that they are primarily "business enterprises." In their past history men of affairs, not engineers, have occupied the leading rôle; in the present day legislators are not unlikely to err if they

neglect the legitimate desire and intention of the shareholders to secure a sufficient dividend ; in the future the keeping of correct accounts will be a necessity of a continued prosperous existence. In fact, the full title of the lecture is "British Railways as Business Enterprises."

The point which Mr. Grinling thus forces into prominence is likely to escape attentive observation. In this respect its treatment harmonises with the practice of the other lecturers. The suggestive character of the lectures is not their least meritorious quality. In this spirit Dr. Ginsburg, who discusses British Shipping, contrasts the encouragement given by foreign countries to their merchant shipping with the disabilities placed on that industry by legislative action in Great Britain. He suggests that the real position is not shown by the facts which are alone apparent. For a "payment for work done," liberally measured, may, as he shows, cover a more sensible subsidy than could be suspected by those who did not examine the terms of the payment arranged. This, he thinks, is the case with German shipping. He also urges the consideration that the policy of subsidies is not to be condemned because it has been injudiciously applied, by the French for example, and in consequence of a misuse has yielded unsatisfactory results. He argues that restrictions of the coasting trade by foreign countries are a disability placed on English shipping which is not the less real because it is sometimes overlooked. By contrast with this disadvantage foreign shipping using our ports is exempt from regulations to which British shipping is subjected in the matter of the prescription of a load line and payments such as light dues exacted for the maintenance of precautionary measures for safety of navigation.

Dr. Ginsburg does not regard with apprehension the Morgan shipping combine, and events have justified his estimate of its financial prospects. The general question of the Trust Movement in Great Britain is handled in a separate lecture by Mr. Macrosty. This is an admirable discourse. The lecturer throws a flood of instructive light on a subject hitherto obscured. He distinguishes what has often been confounded, and contrives to introduce order where disorder has prevailed. His classification of different forms of combination, from their inchoate and tentative beginnings to their complete and comprehensive developments, is as illuminating as his scrutiny of the reasons for their failures is suggestive. We cannot recall any other instance in the copious literature on this important phenomenon of modern

business from which the student can gain so much knowledge at the cost of so little trouble.

The account of the Midland Iron and Steel Wages Board, given by Mr. Daniel Jones in another lecture, is equally authoritative; and we think that Professor Ashley was moved by a happy inspiration when he decided to include among the lectures an account of the results achieved by the combined influence of common sense and systematic organisation in the prevention of needless breaches of the industrial peace. Nor could he have placed the presentation of this topic in more competent hands; Mr. Jones brings a ripe experience, a sane judgment, and a sustained enthusiasm, to the exposition of his attractive theme.

In addition to the lectures we have noticed some of the most prominent industries of the country are handled by Mr. J. S. Jeans, Mr. Elijah Helm, Mr. Frederick Hooper, and Sir R. Lloyd Patterson. The iron and steel, the cotton, the worsted and woollen, and the flax and linen trades are treated in successive lectures by the authorities we have mentioned. The enumeration of their names is sufficient to attest the value of their contributions. They bring into due prominence in each case the salient features of the industries they know so well; they show what circumstances have led to their past successes, and what dangers threaten their future prospects. Certain common characteristics are found in all, but their differences are no less noteworthy. In the case of cotton, we buy the raw material abroad and the bulk of our sales is conducted with customers who live in foreign countries. The moisture of the Lancashire climate and the thoroughness of the business organisation are the most obvious causes of our success. An elaborate division of labour marks the whole process of production from first to last. This characteristic is shared by the woollen and worsted industries of Yorkshire; and is described in sufficient detail by Mr. Hooper. In the case of iron and steel the same appropriate amount of detail, illustrative of the past history and the present condition of the trade, is furnished by Mr. Jeans; and he also supplies material on which any prognostication of the future must be based. We have to allow, on the one hand, for the depletion of the supplies of ores of different grades in our own country and in the lands of our foreign competitors. We have, on the other, to remember that our geographical position and the shipping facilities we enjoy are tolerably permanent conditions. We have, in the last place, to notice the menace threatened by the aggressive action of foreign trusts and syndicates.

In these remarks the fiscal question is at any rate suggested. The observant reader may, indeed, derive from *obiter dicta* scattered in these lectures some efficient aid in settling that vexed problem. From Mr. Helm, for instance, he may learn the importance of a cheap supply of raw material; by Mr. Hooper he may be induced to note the injury wrought to British industry by the protective tariffs of foreign countries; from Dr. Ginsburg he may ascertain how the active encouragement of shipping may produce important or unimportant effects according to the wisdom by which it is directed. These are a few out of many illustrations which might be given; but it should be added that, as the lectures were delivered before the controversy became acute, the lecturers can be charged with no *parti pris* except that arising from a judgment formed or a bias contracted in independence of the present discussion. Their opinions are not the less valuable on that account. As Professor Ashley remarks in his Preface, "some of the contributors" to the volume "will be found arguing on one side, some on the other." They differ similarly in the respective views which they maintain on the prospects and effects of Trusts. "These divergences," he adds, "ought to set the student thinking."

The lectures were intended primarily for students belonging to the Faculty of Commerce, but they possess a wider interest. We believe that economists will be grateful for their publication. Professor Ashley observes in his Preface that when asked "What is the value of Political Economy to a young man going into business?" he has had to reply that "it depended on the Political Economy." "A student," he adds, "who took advantage of the opportunities offered by the wide range of courses of instruction given under the head of Political Economy in a great German or American university would gain much more than he could get from the limited body of argument and observation which passed until recently in England as Political Economy." Professor Ashley, as all economists are aware, is an able controversialist; and, if his feelings towards his opponents have grown more tolerant and kindly with the lapse of time, his opinions have not lost in robustness of conviction or plainness of expression. In this instance, however, he proceeds to observe that "this limitation was naturally more marked in the ordinary academic instruction than in the writings of the few eminent economists we have been fortunate enough to possess." We doubt, indeed, whether any British economist of the front rank, whatever be his views on the question of modes of economic reasoning, or methods of

inquiry, could fail to welcome the advantages to be obtained from the attentive perusal of this volume; nor would he deny the appropriateness of these lectures to the occasion of their delivery. For all those new movements, to which we alluded at the beginning of this review, share in common the conviction that Economics should occupy a more prominent place than it has hitherto taken in the education of those intending to pursue a business life, and that the position assigned to it in English Universities has heretofore been unreasonably confined. In these respects, at least, the teachers in old and new academic centres are agreed; nor, we think, would the assertion that these lectures handle topics which should form an essential part of an adequate general economic training be less cordially received by the large majority, if not the whole assembly, of English economic teachers. Professor Ashley has, in fact, conferred a service on economists by their publication, which is no less considerable than that which he has rendered to the students of the new Faculty at Birmingham by affording the opportunity of listening to their delivery.

L. L. PRICE

1. *Un Socialisme en Harmonie avec la Doctrine Économique libérale* (*Bibliothèque Sociologique Internationale*). Par EUGENIO RIGNANO. (Paris: Giard. 1903. Pp. vii, 390. 7 fr.)
2. *Christian Socialism in England*. By ARTHUR V. WOODWORTH, Ph.D. (London: Swan Sonnenschein and Co. 1903. Pp. vi, 208. 2s. 6d.)

SIGNOR RIGNANO's treatise is an interesting and in many ways a significant contribution to Socialist doctrine. As the title suggests, it is an attempt to combine the truth of Socialism with the truth of Individualism in the system of national economy. The author accepts the Socialist criticism of the economic system as it exists, but concentrates his attention upon the pivot on which it turns—the existing right of property. The "exploitation of labour" is due to the economic divorce between the labourer and the instruments of production, and this divorce is maintained by the existing right of property—more particularly, by the right of free bequest. The result is the creation of a proletarian class: a class, however, which is not only attaining to political power, but to a collective consciousness. The question, therefore, is whether the proletariat can attain its

economic deliverance by the institution of a new right of property, and if so, what would be the form most adequate for its purposes. To Signor Rignano this is none other than the question of the right of bequest. After a review of different principles of restriction, Signor Rignano puts his own proposal in the form of a succession duty "progressive in time." The principle may be regarded as a generalisation of the particular schemes advocated by M. Huet (in *Règne Social du Christianisme*) and (in respect of Land Nationalisation) by A. R. Wallace among others ; but the application of the principle is at once more thorough-going and more elaborate. The aim is "the speedy realisation of a vast nationalisation of the instruments of production and capital in general," with a view to "equalising the initial conditions of the economic struggle," but in such a way as to give free play to the "survival of the fittest," and to act as "a powerful stimulus" to industry, saving, and the continuous formation of fresh capital (p. 40). The general scheme of succession duties which, according to our author, would do justice to these various and difficult requirements, may be illustrated from the law of property as regards "patents": his scheme may be in fact described as "a patent of capitalisation or of accumulation" for a limited instead of an unlimited period (*un véritable brevet de capitalisation ou d'accumulation à durée temporaire*)—combining, that is, the advantages of being at once a sufficient stimulus to the patentee, and an accumulating "gratuity" to the community. The idea is that the right of the testator over the property which he inherits (and by consequence his right of gift, *inter vivos*) would differ from his right over the disposition of the wealth acquired by his personal effort ; the freedom of bequest which he should be allowed in respect of the latter would be considerably restricted in respect of inherited property, and would gradually be annulled after a certain number of transmissions. The author adds an example, in algebraical formulæ, of the "progression" in the nationalisation of instruments of production and capital in general that might result. He attaches, however, more importance to the principle than to its particular application, though he takes an opportunity (in the French edition of his work) of meeting (or at least of attempting to meet) the objection that it might be difficult in practice to distinguish between what has been accumulated and what has been acquired. The point at any rate is that the author builds his whole hope for the future of the working classes upon some such modification of the right of property, or the law of inheritance,

and he proceeds to sketch the "profound modifications" in the social and economic structure to which the "new" right of property would lead. The results to be expected form a gradual and continuous process of "nationalisation," so far as they affect the existing system of taxation, are such as have been depicted by other advocates of nationalisation, but it is in the application of the proceeds that Signor Rignano distinguishes himself from the general company of Socialists. The instruments of production acquired by the community are to be made available for the cooperative production of labour associations. The principle of "the nationalisation of the instruments of production and capital in general" once admitted, the economic harmonies of Bastiat then "come into their own": we shall have a regime of liberty and free competition in which none of the competitors will have an "initial artificial advantage." The actual industrial organisation contemplated by Signor Rignano would be in fact a system of competitive industry in every kind of production which does not lend itself naturally to state or municipal administration; a system, however, in which the power and opportunities of "private" capital would be gradually diminished, and the character of production would take a more strictly and genuinely productive form. The disadvantages of competition would be removed and its advantages would remain.

It is in this way that Signor Rignano endeavours to use Marx and Bastiat not as antitheses but as necessary complements to each other. Competition is the mainspring of industry; to endeavour directly to restrain its action is to arbitrarily arrest progress. The social consciousness can only act upon competition indirectly by a modification of the legal system of property in such a way as to "favour energetically" the development and co-ordination of associations, *i.e.* syndicates of production, on the one hand, and cooperative societies of consumption, on the other.

We have not space to follow the economic system sketched by Signor Rignano in further detail: it certainly does sufficient justice to the industrial virtues which usually figure as vices, or at least as vicious extremes, in the literature of socialism; and it is pervaded by the perception (in which Mr. Morley finds the key to the political growth of Mr. Gladstone) of the "value of liberty as an essential condition of excellence in human things." Whatever view we may take of the reasonableness or practicability of our author's ideas and proposals, we may certainly recognise the resoluteness and ability which he has put into his attempt to

show how an economic system founded on "the nationalisation of the means of production" may combine at once "une plus grande prépondérance des conditions favorables à la production sur les défavorables et une bien meilleure distribution des richesses."

It is also noticeable that he has restored the "moment" of Internationalism to the place it ought never to have lost in the consideration of the Socialist state. The second part of the book is devoted to three studies "distinct from and independent of" the subject already treated. They are certainly intimately connected, but Signor Rignano is anxious to give the studies *un caractère d'objectivité absolue*, so that they may be judged on their own merits and not as involving the conclusions reached in the first part.

The subjects are "The actual Distribution of Wealth," "Collectivism, other forms of Socialism, and Socialism in general," "The collective consciousness of the proletariat considered as a sociological factor." Of these the last is perhaps the most novel and interesting: the first is laid out on familiar lines, and for the criticism of Collectivism we have been already prepared. The main cause of the "impracticability" of collectivism (as sufficiently demonstrated for instance by Schaffle, Leroy Beaulieu, and Léon Walras) is "the elimination of competition and of freedom of contract in the matter of production and exchange." Collectivists have too much subordinated "production to distribution": the author points to a more excellent way of Socialism which would not associate with the advantages of a better distribution of wealth the disadvantage of a diminished production.

"L'inconvénient signalé est d'autant plus grave qu'il suffirait pour obtenir une meilleure distribution des richesses sans toucher au principe vivifiant de la libre concurrence, du rapprochement économique du travailleur et de son instrument de production. L'assurance donnée à l'ouvrier de jouir entièrement du produit de son travail constituerait le plus efficace des stimulants et elle résoudrait du même coup les deux problèmes connexes de l'accroissement de la richesse et de sa plus équitable distribution." P. 242.

Signor Rignano has no less difficulty in showing that "Social Reform," as represented by the Socialism of the "Chair" and by the many varieties of philanthropic and Christian Socialism, is destined to be ineffectual, so long as it leaves untouched the existing right of property; while the more obviously socialistic schemes of Louis Blanc, Proudhon and Lassalle are equally discredited as attempts to "emancipate the proletariat"

without removing the instruments of production from the ownership of private capital.

A detailed examination of Loria's theories (of "free land" and the "territorial salary") is of a searching, not to say, damaging character. The writer then proceeds to defend the general idea of Socialism from its enemies as well as from its friends. The supreme aim of the actual social movement is *l'égalité des conditions initiales artificielles de la lutte économique*. This means the formation of a Socialist party, but the Socialist programme must undergo profound revision.

"Au lieu d'être collectiviste, de recourir à l'expropriation des biens tout en laissant ensuite intacte la constitution formelle actuelle de la propriété, et de remettre la production entière aux mains de l'État, il se réalisera en transformant le droit actuel de propriété de manière à permettre la socialisation graduelle de tous les capitaux et en accordant aux masses travailleuses—sur leur demande sans doute—la plus grande liberté possible dans la gestion et la mise en exercice des capitaux nationalisés et dans la production et l'échange de tous les produits." Pp. 301, 302.

The last study really concerns the hypothesis upon which Signor Rignano has proceeded throughout—namely, the development of a class-consciousness among "the proletariat" sufficiently organised, coherent, and definite to pursue a consistent and practicable policy—what our author calls the "perfection" of its *conscience collective*. The treatment covers a variety of topics such as sociologists are accustomed to handle; as, for example, the "social function of religion"; here our author crosses swords with Mr. Kidd, and associates himself with "almost all sociologists," who ascribe to religion *la fonction de maintenir des régimes contraires à l'équité en leur assurant l'assentiment de ceux-là mêmes qui en souffrent le plus*. But the least questionable as well as the most relevant part of Signor Rignano's study relates to the historical materialism and fatalism of Marx and Loria. He shows that it is not easy to combine as two fundamental conceptions—the theory of the inevitableness of economic evolution and of the class-struggle as its instrument. If the class-struggle is "the basis and substratum of history," then it is unreasonable to depreciate the importance of the *conscience sociale* as a sociological factor of the first importance. Signor Rignano concludes by suggesting that this factor will be all the more effectual in proportion as it exercises a minimum of direct influence on economic phenomena and an "extreme influence" on legal phenomena, of which the most fundamental—the constitution of property—has "the most profound economic

consequences." The existing right of property—in other words, the law of inheritance—is thus the pivot of the social question.

We have already exceeded perhaps the limitations of a review, and though Signor Rignano's book is deserving of rather more detailed consideration as well as of criticism, we must content ourselves with this general account of a notable and interesting attempt to conciliate the extreme demand of Socialism with the utmost rigour of *la doctrine économique libérale*.

Mr. Woodworth's account of Christian Socialism in England transports us into a very different atmosphere and a lower temperature of ideas. His monograph is rather slight and not very far-reaching; but it is painstaking and adequate so far as it goes, and he has had the advantage of first-hand information on the earlier as well as the later forms of Christian Socialism in England. He hardly adds anything to the familiar story of the early Christian Socialists: but he finds the movement easier to judge than the phase of Christian Socialism represented by the Christian Social Union of to-day. He admits that Maurice failed in "the two definite forms in which he tried to express the Christian Socialist principle": he did not succeed in the plan of the "self-governing, co-operative workshop," nor in the effort to "bring the working man into the Church" (which is perhaps not a particularly Maurician way of putting the matter), but urges at the same time that the failure was more apparent than real. He does full justice to the Working Men's College (which, he might have noted, has under its present President, Professor Dicey, taken on a new lease of life), as also to the influence of the early Christian Socialists upon the legal recognition both of Co-operative Societies and of Trade Unions. The account of the economic and religious changes which have given to the Christian Socialism of the present day a form and character of its own, while preserving its "logical union" with the earlier movement in "the demand for character," is interesting, but is rather too vague to be altogether sufficient or satisfactory. More interesting and more concrete is the sketch of the Guild of St. Matthew, but most interesting of all is the account of the Christian Social Union—partly because there must be many persons who are far from clear as to the precise method and work of that organisation. We do not think that Mr. Woodworth has succeeded in discovering what Signor Rignano would call a "perfect collective

consciousness" in the present phase of Christian Socialism, which he describes as "an intensely active force in English thought and life to-day"; but he has brought out into relief the most characteristic forms of its practical activities. First, the educational, "in which the lending libraries, political manifestoes, and courses of public sermons train the members in the principles of the Union, and enlarge the membership"; secondly, the "more definitely practical," such as "the Cheltenham Society for the Improvement of the Houses of the Poor," the London Branch's social settlement (Maurice Hostel), and "the Research Committees into London trades which lack adequate protection"; thirdly, "the broader economic investigations carried on by the Rev. John Carter"—and here Mr. Woodworth analyses at some length the findings of these inquiries, which Mr. Carter has embodied in his pamphlets on "Commercial Morality" and "Preferential Dealing." Mr. Woodworth's account certainly justifies him in holding that the Christian Social Union "has ceased to be a mere students' club for the consideration of social questions," and perhaps also in recognising "the difficulty of estimating the value of a society whose practical activity is just beginning to take definite shape." He appears to be chary not only of criticism, but of anything more than a somewhat vague if edifying conclusion.

We think, perhaps, Mr. Woodworth would have added to the interest of his treatment, if he had noticed the development of the idea of co-operative production in the propaganda of the Labour Copartnership Association, more especially, if "by far the larger part of the members of the Christian Social Union" accept the definition of socialism given by the Bishop of Manchester in his report to the Lambeth Conference of 1888, viz. as "any scheme which aims at uniting labour and the instruments of labour (land and capital), whether by means of the State, or by the help of the rich, or of the voluntary co-operation of the poor." In this respect, at any rate, we are inclined to think that there is loss as well as gain in the "progress" Christian Socialism has made upon the ideas of the earlier movement, however inadequately they may have been conceived or applied. The modern movement may be more comprehensive, but it seems less fundamental. We also think that some reference might have been made with advantage to the form which Christian Socialism has taken on the Continent or in other than "Anglican" communities: it would at any rate have added to the materials for a judgment on the value and

significance of the movement as a whole; but this might well form the subject of a further monograph.

Mr. Woodworth is, perhaps, not always quite felicitous or exact in his way of putting things; but he has produced a serviceable as well as a sympathetic book on a subject which is itself, perhaps, not very clear or precise; and we hope he will be able to extend his studies in the direction suggested.

SIDNEY BALL.

The History of Contract Labour in the Hawaiian Islands. By KATHARINE COMAN, Ph.B. August, 1903. (New York: Publications of the American Economic Assoc., 3rd. series, Vol. VI., no. 3. Price 75 cents.)

THIS is a clear account of the efforts made to supply the demand of the sugar planters for large masses of labour. The demand was urgent for a variety of reasons. The sugar crop requires to be gathered at exactly the right moment and immediately conveyed to the mill; the Hawaiians were much averse to field work, and were, moreover, decreasing in numbers. Contracts with the imported labourers came under the Act for the Government of Masters and Servants (passed in 1850 and remaining in force till 1897), which legalised two forms of labour contract—apprenticeship and indentured service; infringement of the latter laid the servant open to penal punishment. The State took entire control of immigration affairs, the Board of Immigration aiming not only at supplying workers for the plantations, on whose prosperity that of the whole Islands depended, but at importing men who would make good citizens. Chinese coolies were imported as early as 1852 to serve for 5 years, at the rate of 3 dollars a month, all expenses being paid by the planters. Though good workmen, they were regarded with jealousy by the Hawaiians, and efforts were made to supply the plantations from various Polynesian races. The attempts pursued intermittently from 1865 to 1885 were not successful, the islanders making bad workmen. During those 20 years 2,448 Polynesians came over, of whom barely 600 remain, only 46 being plantation labourers. Efforts to induce Portuguese from the Azores and Madeiras to settle were in some sense more successful. From 1877 they immigrated in large numbers; their expenses were paid if they served the contract time, three years, men receiving ten, women six to eight dollars a month and their keep. In 1883 as many as

3,812 immigrated, but from that year the numbers declined; other countries required labourers, and in spite of higher wages, by 1890 the supply of Portuguese ceased. Many, however, had settled in the country and had formed the small farmer class which is to-day the back-bone of the coffee industry. Between 1880 and 1884 a few Germans and Norwegians were brought into Hawaii, but their numbers were small and they never took kindly to field work. The only hope of the planters lay therefore in the Chinese and Japanese; from 1852 the former entered the country in a steadily increasing stream—even when Portuguese immigrants were most numerous there was still a demand for Chinese. They were good workmen, steady, patient, trusty, easily managed, and on the whole cost less than other labourers. One disadvantage they had even in the eyes of the planters: after their contracts were over, they refused to be re-engaged on the plantations, but became skilled artisans or small tradesmen. In 1886 they numbered 20,000, one fourth of the total population of the Islands, but only 5,605 were plantation labourers. They held 62·0 per cent of retail merchandise licenses, 84·7 of victualling licenses, 91·8 and 100·0 of pork-butcher and cake peddling licenses. All through the early 'eighties great opposition was made to their free immigration. Besides their enormous preponderance in the above and other trades, their immorality, their disregard of life, their imperviousness to western influences, and the danger to public health caused by the arrival of Orientals in such numbers, raised all the more far-sighted men against them, and legislative restrictions were imposed on them. Not more than 600 were to be allowed to land in three consecutive months; in 1886 passports showing previous residence must be produced, and later none were to be admitted save as labourers. All these measures caused an increased demand for Japanese coolies; they began to arrive in 1885 under, for them, very favourable terms. From the convention with Japan in 1886, sixty-two thousand landed in the Islands. They were in some respects not as successful on the plantations as the Chinese; restless and self-assertive, truly Oriental at heart, and never really adopting Hawaiian customs. Their numerical preponderance (19,908 arrived in 1899) constituted a grave danger to the State and was one of the chief factors leading to the Annexation. Its immediate legislative consequence was the exclusion of Chinese labourers, and the prohibition of the penal enforcement of labour contracts. The Japanese still come to Hawaii in large numbers; many of them combine to take up the lease of a farm, a mode of farming on shares which

answers so well that the planters hope to find in it the solution of their difficulties.

EVELYN FOX

Ethnic Factors in the Population of Boston. By FREDERICK A. BUSHEE, Ph.D. May, 1903. (New York: Publications of the American Economic Assoc., 3rd series, Vol. IV., no. 2. Price 75 cents.)

THIS is an interesting account of the chief characteristics of the races settled in Boston; characteristics which the excellent statistical tables enable one to grasp with facility. The Irish are far the most numerous of all the immigrants. Unfortunately, they and the Italians have been very unfavourably affected by their home conditions; poor, illiterate, unskilled, with a low standard of living, they have settled in over-crowded and unsanitary slums. The Irish, dirty and thriftless, show a low physical development, their infant mortality is excessively high, and defectives are very numerous amongst them. They form the larger part of the unskilled labourers of the city, and of the domestic servants. The better class are in small Government employments. Their record for petty crime is a high one, but the record of the Italians for more serious crimes, such as murder, is much higher. The anxiety of the latter to save helps to keep them in overcrowded quarters; they are rapidly ousting the Irish from the ranks of unskilled workers. Of the poorer classes of immigrants, Irish, Italians, Portuguese, Greeks, by far the best are the Jews (Russians and Poles). Their physical and moral qualities are better than those of any other body of immigrants. A high birth rate and low death rate, few defectives, extremely law abiding, with hardly any paupers, they may be looked upon as a valuable element in the city. They always enter trades, chiefly clothing, and rapidly oust other competitors. Jewish boys have driven away the Irish newspaper boys right into their own quarters. Of the better class of immigrants the Germans are the most satisfactory; they land with some money, and, determined to make their homes in the new country, they enter the ranks of the skilled artisans and of the smaller professional men. Amongst these are also to be found the best of the English and Scotch immigrants (there is also a low class of these, somewhat in the position of the Irish); the English are the best skilled workers. The British Americans, though numerous, are not a very important factor, as they come for a shorter period only. Dr. Bushee has

collected most interesting statistics on the proportion of each nation in various occupations, and has shown, amongst the older settlers, how they are affected by the new conditions under which they live.

EVELYN FOX

The History of Liquor Licensing in England principally from 1700 to 1830. By SIDNEY and BEATRICE WEBB. (London: Longmans, Green and Co.)

It was a happy thought which led Mr. and Mrs. Webb to pause for a moment in the production of their book on English Local Government during the eighteenth and nineteenth centuries in order to publish a portion of it which deals with the regulation of the Liquor Traffic. The history of our Licensing Laws prior to 1830 is particularly interesting just now when the principles on which they have been based for several centuries are being seriously assailed. It is well that we should be reminded that "the function of licensing, as it has been delegated by Parliament to the Justices of the Peace, has always included three distinct forms of control: the power of selection, the power of withdrawal, and the power of imposing conditions." The first power given to Justices (in 1495) was the power of suppression, that is of preventing unsatisfactory persons from selling intoxicants. It was not until 1552 that permission had to be obtained before an alehouse could be kept. The power of the Justices "to reject and put away common ale-selling in the towns and places where they should think convenient" was reiterated, and the principle still remains the basis of our licensing system.

Until the outbreak of the Civil War this wholesome power of suppression was frequently exercised, and the local Justices were stimulated to discharge their duty by circulars and orders issued from time to time by the Privy Council. In 1623 the Mayor and Aldermen of Ripon reported that, in pursuance of the directions received, they had reduced the number of alehouses by one-half. Then followed a period of social disruption, amazing laxness and consequent demoralisation and debauchery. Taverns and wine shops multiplied in all directions. But worse was to come. Under legislation towards the end of the seventeenth century, while foreign brandy was very heavily taxed, spirits made from English grain were subject to an extremely low duty and distillers and ordinary shopkeepers were allowed to sell them when and where they pleased. The results were the shameful profligacy and almost incredible degradation which Smollett so graphically described.

A revulsion of feeling followed and the celebrated Gin Acts of 1729 and 1736 were passed. Such a drastic reversal of policy could only be enforced by a strong and earnest Government, supported by vigorous Justices and an efficient force of constables. None of these conditions existed. Almost all the authorities were either hopelessly corrupt or incompetent. The Government needed the revenue which the liquor would yield. In Middlesex in 1736 nearly half the constables were themselves retailers of spirituous liquors. The stringent laws were as great failures as their predecessors had been. Another change was tried. Milder laws were passed, but the powers of the Justices to deal with unsatisfactory houses and sellers were increased while their uncontrolled discretion to refuse licences was re-affirmed. But the administration remained corrupt, lax and hopeless, and riot, debauchery, crime and vice became even more extensive and shameless.

At length there was an awakening, and a powerful movement made itself felt. Mr. and Mrs. Webb say: "This movement came from several distinct but converging currents of public opinion—the new-found Evangelical zeal for saving men's souls, the growing dislike of the propertied class of the insecurity of life and property, the alarm both of the financier and the ratepayer at the increasing burden of the poor rate, and last, but not, we think, least, the half-conscious desire of the rising class of industrial capitalists to drive the manual workers out of the ale-house and gin-shop into the factory and workshop." In 1787 a Royal Proclamation sent by the Home Secretary to every bench of Magistrates set them in motion. Licensed houses were reduced in number in all directions. No doubt existed as to the power which the Justices possessed to refuse renewal and no thought of compensation was suggested when they exercised it freely. They consulted the opinion of the leading people in the localities and—as the Justices of Farnham have done recently—they took steps to inform themselves as to the condition of the houses and the requirements of the neighbourhood and acted vigorously thereon. The results were striking. Mr. and Mrs. Webb have brought to light a number of extracts from local records. A very interesting part of their book is that in which they tell us how they had noticed and been impressed by "a lull" in crime and rioting, licentious living, disorderly conduct and brutal amusements between 1790 and 1810 before they discovered the reason for it.

In course of time the policy of restricting the number of

licensed houses produced difficulties of its own, as it has again done during the last thirty-five years. As soon as licences were seriously reduced in number and difficult to obtain they became valuable. Competition amongst brewers to secure control of them and of the premises in which the trade was done which they permitted, speedily developed what we now know as the tied-house system, of which a great deal was heard during the first quarter of last century. In those days temperance people, as we understand the term, were practically unknown and the theory amongst many of the most earnest friends of sobriety was that all the evils of intemperance sprang from spirit drinking, that beer was wholesome and nutritious, indeed that it was a necessary article of diet, especially for working people, and that the proper thing to do was to provide facilities for establishing houses where beer could be obtained cheaply and without the temptation to drink spirits. It was contended that the tied-house system created a monopoly and consequent increase in the price of an article of food. Hence the passing of the Beer Act, 1830 which allowed any one to open a Beer House on paying a license fee of £2 2s. a year. This terribly mistaken policy was as Mr. and Mrs. Webb show, very much facilitated by the result of the teaching of the Philosophical Radicals, whose attitude towards licensing legislation is largely represented by Earl Wemyss and the Liberty and Property Defence League of our day. As every one is aware the policy was a huge blunder and for more than seventy years the beer-house has been a grave social evil and a serious difficulty to licensing authorities.

The history of the past is full of lessons for the future. It is not less true of liquor legislation than of many other matters. Some of the lessons which are emphasised in the volume before us are: Free trade in liquor or any near approach to it, has always resulted in a great increase in drunkenness and debauchery. Reduced facilities for drinking do promote sobriety and good order. Drastic legislation of a repressive nature requires a strong public opinion behind it and vigorous and efficient administration by independent justices and a pure police, or it will be evaded and defied. Stringent limitation of the number of licences develops the tied-house system and gives a great value to licensed premises which becomes a difficulty in the way of further reform.

How best to cope with these difficulties and promote sobriety and check the evils of our drinking system is a problem which is once more pressing itself upon the attention of the country.

Its solution should not be beyond the power of constructive statesmanship, and a study of this volume will facilitate arrival at a sound conclusion.

THOS. P. WHITTAKER

Municipal Trade; the Advantages and Disadvantages resulting from the Substitution of Representative Bodies for Private Proprietors in the Management of Industrial Undertakings.
By Major LEONARD DARWIN. (London: John Murray.)

DURING the last two or three years there has been a considerable movement of reaction against the ownership by municipal authorities of public services. The reaction has been due in part to the lengths to which the policy has been pushed by some of its extreme advocates; in part to the undoubted over-issue of municipal stock and consequent fall of municipal credit in a market already strained by other causes; and in part also to the failure of municipal authorities to show any great keenness in the application of electricity to lighting and transit. The controversy has been mainly between civic authorities on the one hand, and representatives of certain industries (particularly those connected with the supply of electric light and power) on the other. In this volume, Major Darwin endeavours (to use his own phrase) to enunciate the views of "the consumer, or the ordinary citizen," who "ought to have a say in the matter; and yet his voice is generally silent." Therefore, the book is an attempt to summarise and weigh the arguments on both sides; impartiality is aimed at, and generally attained; but the writer's method has one serious defect. It is a valuable contribution to the study of municipal economics, but much of the work is taken up with elaborate arguments, always lucid, it is true, but suffering badly from lack of illustration. It is all very well to tell us that certain things may happen, under certain conditions which may possibly come to pass; but the reader, though he appreciates the force of the theoretic argument, cannot get rid of the feeling that the results so forecast have not always been reached in fact, and that municipal ownership (like so many other things in Great Britain), whilst open to many theoretic objections, has in practical working proved many of these objections to be of small validity. The main criticism of Major Darwin's book must then be that it is too speculative; much of it we would gladly have exchanged for an impartial and trustworthy account, so difficult to obtain

in the present babel of voices) of the actual facts of municipal ownership to-day.

Probably Major Darwin would hold such an account to be impossible. Certainly, his investigation of the financial statistics of municipal ownership only leads him to regard them as generally untrustworthy (p. 220), both as regards the capital invested and the profits obtained—and on this point his criticisms are of considerable value to the student of local finance; whilst “the consideration of the questions connected with price and quality has only had the indecisive result of throwing a serious doubt on all attempts to compare the financial results of municipal and private trade in the same industry, without even clearly indicating in which direction the probable error lies.”

The main thesis of the whole book is that the choice really lies, not between municipal ownership and private enterprise, but between municipal ownership and state control of enterprises owned or conducted by private individuals or companies. The system of State control, so generally practised in Germany, France, and the United States, has never had a fair and extensive trial in Great Britain, and Major Darwin is undoubtedly right in his argument that in many respects this control can, if properly organised, attain many of the ends which the advocates of municipal ownership have in view. Certainly, the experience of Germany (where municipal ownership and working is not nearly so general as in Great Britain) tells strongly in this direction. Major Darwin is no thoroughgoing opponent of municipalisation. He points out that most enterprises tend to become monopolies, mainly because of the law of increasing return, “which tends to make rival firms amalgamate”; and in municipalities this process is hastened by (1) “the effect of granting rights to interfere with the streets”; (2) “the advantages arising from a large *clientèle*”; (3) “the increase of the value of land in towns.” As soon as the monopoly stage is reached, the public service must be brought under control, either State regulation or municipalisation must be applied. The choice between the two methods should be determined by particular (and we would add, local) considerations; Major Darwin declines to lay down any general rule, except that the matter should be considered “solely with reference to such questions as public morality, health, and convenience; and it is only when a decision has been provisionally given in the affirmative that financial considerations should be allowed to weigh in the balance before a final judgment is made.” But his inquiries lead him to conclude (p. 434), “that markets, public baths,

slaughter houses, and cemeteries had better not be in private hands; that water-supply should generally be municipalised; that harbours should often be managed by local authorities, or by specially constituted public bodies; that there is much to be said in favour of tramway tracks being owned and repaired by municipalities; but that, as a rule, private trade is preferable for telephones, gas works, electrical works, tramways, and, without doubt, for all truly competitive trades, the case against municipal trade being weakest in the first-mentioned services." Major Darwin has scarcely the courage of his convictions, the arguments for the municipalisation of water-supply apply with equal force (as the author clearly sees), to lighting and means of transit—they tend, in fact, to become monopolies, are concerned with public health and morality, and involve the control of the streets; and even if the financial profit is less than might have been received as rent from a private company, or even if a loss is incurred, the indirect benefit to the community as a whole may justify municipal ownership. It is in regard to municipal housing (as practised hitherto), that most students of the subject will be inclined to agree with Major Darwin in his condemnation—it is in effect, as he says, a bounty in aid of wages.

The author puts forward a number of suggestions which are intended, not to stop municipalisation, but to apply the brake. Briefly, his chief proposals are (1) the abolition of the compounding system, for though "the unrated householder may fairly be said to pay his full share of the rates in an indirect manner in the long run and on the average," yet "the fact that he does not perceive that he is contributing to the civic expenditure produces a marked tendency to public extravagance." The experience of some of the outlying districts of London strongly supports this conclusion. (2) The extension of the central audit over the towns. (3) The establishment of a commission on the lines of the Railway Commission (or of the State Boards of Control in America), with wide powers, replacing the present unsatisfactory system of parliamentary select committees. There is a good deal to be said for this suggestion, though the failure of the Railway Commission to deal satisfactorily with the problems of workmen's trains and railway rates is not altogether encouraging: but possibly an adaptation of the American Board of Control system would yield useful results. (4) Finally, to remove one incentive to municipal ownership, steps must be taken "to more effectually safeguard the consumer and the taxpayer when monopolies are managed by private proprietors."

A few other points may be noticed. Major Darwin emphasises the fact that one of the strongest objections to an extension of municipal enterprise is the smallness of our local government areas, and the disinclination of authorities to combine, whilst there are considerable difficulties in the way of an authority providing tramways, water supply, or lighting outside its own area. As Mr. H. G. Wells has pointed out in "Anticipations," and in his address to the Fabian Society, reprinted in "Mankind in the Making," all improvements in locomotion, all improvements in the supply of electric light and power, render larger and larger areas desirable; the multitude of small areas, each aiming at independence in these matters, results in "waste of men, waste of nervous energy, waste of administrative energy." And Mr. Wells comes to much the same conclusion as Major Darwin—"If the existing areas are to remain the same, then, on the whole, my vote is against municipal trading, and, on the whole, with regard to light, to tramways and communications, to telephones, and, indeed, to nearly all such public services, I would prefer to see these things in the hands of private companies, and I would stipulate only for the maximum publicity for their accounts, and the fullest provision for detailed regulation through the Board of Trade."¹

On the question of profits Major Darwin agrees with Mr. Cannan, that any legal restriction of profit is on the whole undesirable. He objects also to any limitation (by law) of municipal indebtedness, partly because "where municipal trading is popular, such a limitation of borrowing powers might induce local authorities to neglect some of their primary functions, unless, indeed, a separate limitation could be placed on municipal trading debts, which would be difficult." It is by no means certain that it would be so very difficult—a debt limit is common in American cities, and in some of the States the constitution allows cities to become indebted to a larger amount, not exceeding a certain percentage of the assessment valuation of the city, for reproductive undertakings; and the effects of this clause are by no means unsatisfactory. If modified so as to limit the amount of indebtedness, not so much in total as in the amount which might be incurred in any year, it might prove an effective check.

PERCY ASHLEY

¹ *Mankind in the Making*, p. 417.

Subdivision and Education in Charity. By JEFFREY RICHARDSON BRACKETT, Ph.D. (New York: Macmillan Company. 1903. Pp. 222.)

THIS is an interesting account of a most interesting and important development in the universe of philanthropy; the development of conscious reflection upon and education in the best methods of charity and correction. From the days when Miss Dix spent two years in visiting the almshouses and jails of Massachusetts, when insane persons were "found in cages, closets, cellars, stalls, pens; chained, naked, beaten with rods, and lashed into obedience"; down to the present day, when instruction in social work is made part of the university course, the movement has been one of an intensely practical nature. Broadly speaking, the aim has been to substitute conscious wise co-operation in the treatment of social evils, for the fragmentary, ill-considered efforts which still prevail to so large an extent. The movement has manifested itself in many ways; in associations; in State Boards, supervisory or controlling; in conferences, national or local; in associations for organising charity; in academic instruction; and in schemes for practical training. Some of these are more fully developed in America than in England. The work of the State Charities Aid Association of New York is especially notable as illustrating the influence which may be exercised by a purely voluntary agency upon official institutions; partly by its high standard of disinterestedness and integrity, and partly by its education of public opinion. It seems probable that this fuller development of supervisory and educational work is due, in part at least, to the necessity for counteracting the evil of political jobbery which affects social work in the United States far more than in England. Disinterestedness must be secured before wisdom can be initiated. But the Americans have been quick also to grasp the idea that there is something to be learned in social work. It is interesting and encouraging to read the following statement of "the work done in the best known institutions of learning." "Of sixty-four colleges and universities heard from—about three-fifths of those written to—twenty-eight said they do not have, and thirty-six said they do have instruction in charity and correction. Of the forty-four theological schools heard from . . . twenty-nine said they do not and fifteen said they do have it." A similar inquiry in England would produce almost negative

results, partly because the educational movement here is tending to develop on an independent basis, and may possibly for that reason be ultimately more complete and thorough. But in England as in America the movement towards the systematic study of social problems is strikingly characteristic of the last half-century, and we welcome the book before us as contributing a history of that movement as far as regards the United States.

HELEN BOSANQUET

Commercial Relations between England and Ireland. By ALICE E. MURRAY, D.Sc. (Lond.). (London: P. S. King and Son. Pp. 486.

THE last few years have witnessed an enormous increase in the number of books dealing with Ireland. Of these, Miss Murray's work is not only one of the most interesting, but also one of the most valuable. As those who are intimately acquainted with the condition of that country are aware, most Irish grievances are due rather to economic than to purely political causes. For these reasons, if for no other, it is a distinct gain to find two centuries of Irish history treated, not from the point of view of the politician, or "professional" patriot, but from the standpoint of one who is a genuine student of economics.

Considerations of space render it impossible for me to adequately indicate the wide scope of Miss Murray's work. Suffice it to say that there is scarcely a point of any interest, in the economic relations between Great Britain and Ireland, which has escaped her notice. This has necessitated the treatment of a vast amount of facts and figures, which nevertheless have been marshalled in the clearest and most readable manner. As might be expected, some of the matters dealt with are of a highly controversial nature (*e.g.* the history of the Irish Wool Trade and the results of the Union), and it is perhaps to be regretted that the plan of the work does not permit of a greater amount of *discussion*. Into the gloomy history of the commercial regulations, which bound down the trade of Ireland, between the years 1660 and 1782, one cannot enter here. One or two points, however, call for notice. For instance, in the present crisis it is interesting to mark the effects of the means adopted in 1660-3 to crush the Irish provision trade and to "protect" that of England. "Before 1663 Ireland had, on the average, imported English

manufactures and produce to the amount of £210,000 a year."

In 1675 the quantity of English goods imported had fallen to less than £20,000. "At the same time, instead of importing foreign commodities by way of England, Ireland was able to buy them direct with her provisions; and by 1672 only one quarter of Ireland's foreign trade was with England." The shipping trade between the two countries which was almost entirely in English hands had suffered severely. Foreign vessels victualled themselves at Irish ports, and English ships soon began to purchase Irish provisions only.

The work of the Cromwellian settlers deserves more notice than it has received from Miss Murray, while the frightful destruction and spoliation by the Jacobite Irish, 1685-9, is passed over in silence. The author gives an admirable summary of the historical conditions which brought about the harsh policy pursued by England after the Revolution, but one would like to see more emphasis laid on the special causes which led to the penal laws. Were the rising of 1641 and the cruel treatment of the Protestants by Tyrconnell and his faction of no account? Anyone who is acquainted with the ballads of the South of Ireland knows that the English had good reason to fear the influence of the Pretenders in that quarter.

The problem of the Wool Trade is by no means easy of solution. There is no doubt that England endeavoured to crush it, but there is room for considerable doubt as to whether her efforts were successful. Dobbs estimates that, in 1745, the price of manufactured wool was seven times the value of that exported in 1697. The smuggling trade in this commodity was enormous. Arthur Young remarks that in the period from 1766 to 1779 wool was 47 per cent. dearer in Ireland than in Great Britain.

The home woollen trade of Ireland at this time has been valued at £3,000,000. When "Free Trade" was restored, it would appear that Ireland found it impossible to increase her output so as to supply a foreign in addition to the home market. Hutchinson, a violent party man, is no safe guide to follow in this matter. Miss Murray would appear to have formed too high an estimate of the "fostering" work done by the Irish Parliament. The story of the young grand jurors who awarded the yarn bounties, not to the best exhibit, but to the prettiest spinner, is but too typical of the country. Arthur Young is explicit.

"These gentlemen," says he, "have regularly in Parliament promoted all those visionary and expensive projects, set on foot by interested people, for giving premiums and bounties, to the amount of an hundred thousand pounds a year, and which alone accounts for the whole of the National Debt and declining revenue." The corn bounties and the "grand canal" project were glaring examples of reckless extravagance. Jobbery has always characterised the administration of Ireland, and at no time was it more rampant than in the period between 1750 and 1800. The picture presented of Ireland in the consulship of Grattan is scarcely borne out by contemporary records. Dublin was frequently in a condition of anarchy. Assassination plots were not unknown and were encouraged by the Dublin Press. The condition of the southern peasantry was wretched in the extreme. All the ills of Ireland cannot be attributed to English rule—some of her worst foes have been those of her own household. At times one is tempted to believe that the stars in their courses have fought against that country. Prior to 1784, the complaint is frequently heard that the prevalence of pasture has driven the peasantry to the hills and bogs where they exist on the verge of starvation. Between the last mentioned date and 1840 came the increase in tillage. The sub-division of small holdings and early marriages (encouraged by the priesthood) resulted in that reckless increase in the numbers of the people, which led to the horrors of 1845–8. Now the scene has once more shifted and one hears everywhere the wail of depopulation.

It is surely scarcely correct to say that the immediate effect of the Free Trade movement of 1848 was to destroy what little prosperity had been left by the Union. Between 1848 and 1870 the prices for Irish produce would appear to have been good. The full effects of unlimited competition were not experienced until the latter date. In any case Ireland had occupied an artificial position in the English market, and one can hardly believe that the "fostering" system advocated by the author, would have been of any avail in face of the inevitable improvements in transit which have rendered effective the competition of the great new countries.

The account of the "financial relations" since the union is full of interest, while the analysis of the report furnished by the Commission of 1894–5 leaves nothing to be desired. Miss Murray's contention that "in this matter, and for purposes of inquiry,

Ireland must be treated as an integral portion of Great Britain and not as a separate unit, would appear to be well grounded. In short, the case of over-taxation is not one of "Ireland *versus* England, but of the unskilled labour and very small farmer," whether he be found in Ireland, England or Scotland.

The chapter (XIX) which deals with the "economic conditions and prospects of Ireland to-day" is perhaps the most interesting portion of a very interesting book. One cannot but think that the author has underrated the difficulties which encumber the path of the co-operative movement. The present writer has had some practical experience of these difficulties and of the heart-breaking "contrariness" of the country people. Thus a *temporary* rise of $\frac{1}{2}d.$ per dozen in the price of eggs, offered by the local village tyrant against whose power the Co-operative Society is working, will result in the *secret* defalcation of several of the principal shareholders; and these not poor peasants but "warm" farmers. In the south of Ireland religious differences play a considerable if somewhat obscure part in this problem. The omission on the part of Miss Murray of all allusion to the religious factor in Irish economic conditions is a serious defect. Nothing is said of the large sums of money expended upon chapels and religious buildings of all descriptions. The amount is totally disproportionate to the resources of the country. In England most of this money would be devoted to productive purposes. The fact that, since the famine, the population of Ireland has decreased by half, while the number of the Catholic clergy has doubled, is some index to the importance of this matter. The candid inquirer should not attempt to shirk the point. It should also be noted that the changes in the ownership of land, now in progress, will probably result in new land troubles. The new proprietors will in all probability fight amongst themselves in much the same manner as they did against the Landlords. Besides this, unless the labourer's claims are considered, there is some likelihood of a struggle between the farmers and the poorer peasantry. On the whole, however, the author would appear to be justified in her opinion that the present condition of Ireland is one full of hope.

In conclusion, I would add, that the few points subjected to adverse criticism in this article of necessity occupy a greatly disproportionate space. Miss Murray's work is a welcome contribution to Irish history, and is far above the usual run of books which deal with that thorny subject.

NOTES AND MEMORANDA

NOTES ON THE MOSELY EDUCATIONAL COMMISSION.

THE Commission, which owed its origin to the public spirit of Mr. Alfred Mosely, was undertaken in large measure because of his belief that at the bottom of nearly every "social" question lies the question of the individual. Any consideration of national welfare brings into prominence the pressing need for improved consumption of income, a better use of leisure, a more conscientious exercise of civic responsibilities, the spread of adequate social ideals. These are all questions involving a recognition of the importance of a high level of educated intelligence. But, further, it is abundantly evident that changes in the methods of production are taking place, in many respects as far-reaching in their consequences as those associated with the Industrial Revolution of a century ago. "The first change," it is said, "animated iron and steel with physical force, the second has endowed it with intelligence." The keynotes of these changes are the great development of large-scale production, the increasing rapidity of the productive processes in order to economise capital, and the minute specialisation and subdivision of labour. These changes have, among others, two consequences of significance in regard to the education and training of labour.

In the first place, it is becoming more and more difficult to find time to train the young hands and apprentices in the shops and during shop hours. In the second place, it is necessary for those aspiring to become more than mere routine workers to possess a knowledge of the general scientific principles affecting their work, in order that their view may not be cramped by the minuteness of a single special process.

This breakdown of the apprenticeship system as hitherto in force, coupled with the emphasis laid upon the necessity for theoretical training, points to the need for adapting technical education to modern requirements. The Commission was

undertaken, then, because it was felt that the present was specially the time when the general public attention should be turned towards the work of improving our educational system. It was further particularly to direct attention to the relation between education and industrial prosperity and efficiency.

Now that one has returned, and impressions are acquiring a certain perspective, it may be of interest to consider them broadly from an economist's point of view. First, then, with regard to education in general, there stands out the impression of a wide-spread enthusiasm for, and belief in, education. It is prominent in the more settled cities of the Eastern States. It is even more so in the younger towns and cities of the West. If it is shown in the magnificent expenditure upon University work at Columbia, it is shown still more in such a place as Oklohoma, where, fourteen years ago, when the land was first settled, schools were planned and begun before even any constitution existed, and when public opinion was the only force protecting life and property. Throughout the West town vies with town in the equipment of its elementary and high schools, while the State universities attract students in large numbers. In the State University of Kansas alone there are more students than in the three Constituent Colleges of the University of Wales.

An attempt to analyse the motives prompting this keen pursuit of education would certainly suggest two points. On the one hand, that the American has a strong faith in the possibilities of his future, and on the other, that he has an equally strong belief that education will help him to realise it. It is undoubtedly true that education is valued primarily upon a commercial basis as being a good investment for capital.

Nevertheless, many of those best able to judge told us that American prosperity was due, not in any great measure to their system of State elementary, secondary, and university education, but to what they called the Red Indian element in their lives; the vigour and resourcefulness engendered by the continual struggle, in a new country, to overcome difficulties, coupled with the confidence resulting from the successful issue of the struggle.

As this element grows less, as the strong, silent settler of the prairie, exhibiting every sign of his vivifying contact with mother earth, makes way for the nervous, excitable dweller in the city, a great change may be experienced in American development and social progress. The tendency to carry on huge farms with a few permanent hands, reinforced by thousands of workers imported

from the towns during harvest, may hasten this change. The Bureau of Labour of Kansas had applications for 30,000 such hands last year. At the end of the season they mostly return to casual labour and vagrancy. Nothing is more feared in America to-day than this growing nervous excitability of large numbers of the people. The effort of educationalists to emphasise the faculties calculated to restore the balance in their development of manual training in the elementary schools, and still more in the Manual Training High Schools, is significant. This is the more needed in that the American is not a game-playing animal. Very few actually take part in any form of sport, except possibly as spectators. Indeed, one is everywhere impressed by the fact that in hours and out of hours the American business man has but one great interest, his business. His whole effort and attention is turned towards making that a success, and very often all is fair in war and business. But while it is as yet somewhat problematical how far the present expenditure of money and energy upon education will bring forth fruit in the direction of increased material prosperity, it is at least significant that a people whose great characteristic is enterprise, a willingness to invest freely in the hope of great ultimate gain, should themselves build their hopes so largely upon its results.

Moreover they are doing their best to make their education practically efficient. They wisely require their professors of engineering to engage in civil practice in order that they may be in close touch with the newest practical developments. Their leading economists are not recluses, but men who frequently undertake practical missions of state. In the schools and colleges the teaching aims primarily at bringing out what is in a student, stimulating his originality, rather than in imposing information. The students themselves show none of the self-consciousness which prevents them from asking questions and possibly exposing their own ignorance.

In passing judgment on that branch of their education which may be called more properly commercial, one has to carefully remember the different ends which different institutions have in view.

In nearly all the High Schools the subjects of economics and commercial law are taught. In many, stenography and type-writing receive considerable attention; and in a few cases a complete business department is organised.

The more strictly mechanical business training is best given
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in the large business colleges, such as the Packard School in New York, and the Peirce School in Philadelphia. They are really excellent in the way they teach shorthand, typewriting, book-keeping, commercial arithmetic and correspondence, and the routine of business practice. Enormous numbers of students attend them and profit by them.

The movement towards higher commercial education such as that aimed at by the College of Administration and Commerce at Chicago, the Wharton School of Commerce at Philadelphia, the Courses for Business in the University of Illinois, and the scheme proposed for the Massachusetts Institute of Technology by Professor Dewey, is steadily growing and receiving much support from business men. They aim at greater specialisation and are more technological than any that we have in England. As yet they are hardly more than experimental. On the other hand the Faculties of Economics and Political Science are developed on broader lines than with us, and both in the number of professors and lecturers, as in the number of students, are far ahead of us. At Yale they have nine members of the Faculty, at Chicago seven, exclusive of those in the College of Administration, and at Harvard seven.

Perhaps the direction in which we may look for the most instructive developments is in that of trade and technical education.

At present the demand for a good class of graduates from the technical colleges is considerably in excess of supply. In several cases employers told me that they had a standing offer to take all the graduates in engineering coming from certain well-known institutions, and that they could not get enough of them. It is a common practice for large firms, such as the Pennsylvania Railroad, to write to the larger universities and colleges offering employment to the graduating students.

The demand for young men, who have received technical training, for the regular work of journeymen mechanics is very great. In a recent report from the Bureau of Labour at Washington, returns were summarised from eighty establishments in the metal trades; eight report that the special training of their workmen in trade or technical schools has resulted in increasing the amount of the product from 10 to 20 per cent.; twenty report that the workmen so trained earn from 10 to 50 per cent. higher wages; twenty-five testify to the improved character and quality of the product.

The general consensus of opinion is strongly in favour of the

training given by a moderate period of apprenticeship accompanied by attendance at a trade school at the same time. A formal stage of apprenticeship is required of all important branches of the metal trades, but the unions, while exercising some control in the matter, do not appear to needlessly interfere by imposing burdensome restrictions.

Nowhere is the testimony to the benefit derived from special training more emphatic than in the dairying trade.

The domestic character of this industry is rapidly making way for the large-scale production in factories, and it is said that the dairy schools have practically made the creamery industry what it is. The secretary of a large company in Minnesota said: "We could not operate a creamery if we could not get a man who had been trained in a dairy school." Men so trained receive from 20 to 50 per cent. more wages than those untrained.

All the evidence goes to show that in the matter of special trade training the Americans are confident of the advantages to be gained from moderately short practical courses. These are being provided in all the large industrial centres, and they are attended in rapidly increasing numbers.

Without considerably exceeding limits of space it is impossible to say anything of one's experiences bearing on the industrial conditions of the American workers. I cannot, however, omit to mention the firmness of the conviction, repeatedly expressed, held by many manufacturers and large business men, that the time has come when a reduction of the tariff is urgently wanted to enable them to develop foreign trade. Mr. Edward Atkinson, of Boston, prophesied to me that in two years' time each of the great political parties would be vying with each other in their endeavour to give the greatest tariff relief.

C. J. HAMILTON

LABOUR TREATIES¹

THE International Association for labour-legislation founded at Bâle in 1901, held a Congress the following year at Cologne; it considered two grave industrial problems: (1) night work for women, (2) the restriction of, or regulations necessary for, dangerous trades. The Congress pronounced for the

¹ The meeting at Bâle. Notes and documents by A. Millerand (extract from the *Revue Politique et Parlementaire* for October, 1903.)

absolute prohibition of the first of these; with regard to the second, they decided on the general prohibition of white phosphorus, and on the suppression, so far as feasible, of the use of white lead paint. A Commission was thereupon formed to discuss the question of ways and means; it is this Commission which met at Bâle on the 9th of September of last year. The work of the Commission, composed of forty members, was directed by the president of the Association, M. Henry Scherrer, national councillor, state councillor for St. Gall, assisted by the general secretary, Dr. Stephen Bauer, professor at the University of Bâle.

The question of dangerous trades resolved itself into a discussion on the use of white phosphorus in the manufacture of matches, and of lead, more particularly white lead, colours. In France the use of white lead is strictly forbidden in all State departments. Many municipalities have followed this example, and a law is now before the Senate to enforce the prohibition of the use of white lead paintings in the interior of buildings. Other countries are not so far advanced, but their Governments are, however, treading in the same path. On this point the Commission were not of opinion that an international agreement was necessary, the question of international competition being never raised in the painting trade. The Bureau and the national sections were advised in each country to press on measures for the prohibition of white lead in public and private painting factories; the sections were invited to make a report to the Bureau before 1st March, 1904, on the steps which they had taken for its suppression; they were moreover urged to represent to their respective Governments the cases of saturninism in various works with a view to obtaining (1) the inquiries necessary to the clearing up of the whole subject, and (2) if substitutes cannot be found, that at least the health of the workmen be safeguarded by the strict enforcement of all existing laws or by new protective regulations for all dangerous trades.

The whole lead question is to be reserved for the next Commission to agree upon the introduction of such ameliorations as have been found possible.

The outcome of the discussion on the use of white phosphorus in the manufacture of matches was very different. Its dangers are no longer disputed, everyone being of accord that its complete prohibition is the only effective guarantee against necrosis. Means of replacing it are known, matches made without it, and perfectly inflammable, were shown to the Commission. In

countries such as France, Spain, Greece, &c., where the manufacture of matches is a State monopoly—sometimes leased out to a private corporation—administrative measures (such as have been passed in France) are all that is necessary for its complete abolition; but wherever the factories are in private hands, special laws ought to prohibit its use; in spite of the necessities of exportation urged against such a measure, Germany has passed a law to this effect, to be operative in 1907. The Commission was unanimously of opinion that an international agreement would be the best means to gain its end; not only this, but the interest of opening the road to international industrial legislation by a first treaty is so great, and the advantages of a precedent are so immense, that it felt that any start in this direction, however small, was of the utmost importance. A neutral country being essentially fitted for an international conference, the Commission requested the Bureau to apply to the Federal Council of the Swiss Confederation asking it to take the initiative in such a conference.

The discussions on the question of night work for women constituted the most animated and attractive of the debates. Professor Brants, of Louvain, laid before the Committee the objections made by the wool manufacturers of Verviers against the interdiction of night work for women, and M. Mahaim, professor at the University of Liège, answered him. To those interested in the question two documents appended to the volume of the Belgian section on this subject, published by the International Office, containing as they do the results of M. Mahaim's two inquiries from employers and workmen at Verviers, will give the most valuable information and show effectively the contrast between ready-made phrases and naked realities. The question before the Committee was not the interdiction of night employment, on this point all were agreed, but what exceptions entailed by the present state of labour were to be allowed. The first point was to lay down this fundamental rule; the interdiction of night work for women is to consist in a complete rest of twelve consecutive hours from the evening to the morning, for all women working in factories, workshops, and outside their family. Foreseeing cases where this introduction of a twelve hours' rest would create serious difficulties for the moment, the Commission passed a resolution to the effect that the rest hours might at first be ten only, before reaching the full time agreed on. It was felt that this exception would enable all trades varying with the seasons (such as dressmaking and

millinery) to accommodate themselves to the new conditions. This would imply that the Ten-Hours-Day would have to be introduced all over the continent.

The Commission further agreed that dispensations (not exceptions) might be granted in certain cases, agreed on beforehand, of imminent danger to a factory; for example, in cases of fire or explosion, night work would be permitted either to prevent such an accident, or to remedy the damages caused by it. It was also voted that where women worked with perishable products, such as in the fish or fruit industries, night work would be allowable whenever it was absolutely necessary in order to save the produce from complete destruction.

These resolutions were to form part of a memoir to be laid before each Government by the first of March 1904, explaining the whole question of night work for women. As in the case of white phosphorus the Federal Council of the Swiss Confederation was to be asked to initiate an international conference on this subject with a view to an international prohibition of night work for women. Finally, the Commission pointed out the absolute necessity of an inquiry into the question of home industries, more than ever urgently needed, as these very regulations would have the effect of extending their sphere.

Such, in brief, was the work of the meeting at Bâle, which, it is hoped, may lead to an international convention.

E. F.

THE ECONOMIC LEGISLATION FOR 1903

DEALING first with the economic legislation of an Imperial character, we find in the Finance Act (3 Edward VII., c. 8) a reflection of the unsettled fiscal convictions of the times. The duties imposed on various cereals in 1902 are remitted, but those on tea, tobacco, beer, and spirits are retained. The Income Tax is reduced from 1s. 3d. to 11d. By the Revenue Act (3 Edward VII., c. 46), molasses imported for use solely as food for stock is exempted from duty under the Finance Act, 1901: and in calculating the Inhabited House Duty on houses let in separate tenements, component tenements of a less annual value than £20 are not assessed, while the rate of duty is reduced to 3d. and 6d. for those of an annual value between £20 and £40, and between £40 and £60 respectively. These reductions, how-

ever, depend, where the annual value is less than £40, upon the production of a certificate as to the fitness of the accommodation provided and as to the sanitary condition of the dwelling.

As a result of the International Sugar Convention, the Sugar Convention Act (3 Edward VII., c. 21) was passed, giving the Crown power to prohibit by Order in Council the importation of sugar from a country where bounty is granted on the manufacture or export of sugar; and, accordingly, the importation of sugar has been prohibited from Denmark, Russia, and the Argentine Republic. Molasses and sugar-sweetened products are not included in this prohibition.

The total sum granted by the Appropriation Act (3 Edward VII., c. 32) was £116,000,000 as against £151,000,000 of last year; the charges for Army services showing a reduction of £35,000,000. It may be noted that by the Army Act (3 Edward VII., c. 4) an Army of 236,000 men (excluding those in India) is legalised, as against 420,000 in 1902. The appropriations in aid amount to an additional £18,000,000, of which £5,500,000 is devoted to meeting the excess of army expenditure for the year 1902-1903.

By the Military Works Act (3 Edward VII., c. 29) an expenditure of £5,000,000 is authorised on various defence and other works, nearly half of which is appropriated to barracks in South Africa; and by the Naval Works Act (3 Edward VII., c. 22) an expenditure of £8,000,000 is authorised on various works already (as at Gibraltar and Malta) in progress. This latter sum covers the estimates on these works up to 1905; while, since 1897, a Military Works Act has been passed every second year.

By the South African Loan Act (3 Edward VII., c. 27) the Treasury may guarantee interest not exceeding 3 per cent. on loans raised by the Transvaal for certain purposes. These include £2,000,000 for compensation to loyalists in Cape Colony and Natal, £14,000,000 for the acquisition of existing railways, and £15,000,000 for repatriation, compensation, and development in the Transvaal and Orange River Colony. The total loan that may be guaranteed is £35,000,000.

Taking next the measures that affect the United Kingdom, the administration of the Patriotic Fund has been placed by the Patriotic Fund Reorganisation Act (3 Edward VII., c. 20), in the hands of a corporation composed (besides nominated members) of all the lord-lieutenants, chairmen of county councils and mayors in the United Kingdom. The fund consists of an invested sum of £1,250,000, in addition to landed property.

By the Public Works Loans Act (3 Edward VII., c. 28) local

loans are authorised to be issued by the National Debt Commissioners to the extent of £7,900,000.

The rapid development of speed in locomotion is evidenced by the Railways (Electrical Power) Act (3 Edward VII., c. 30) and the Motor Car Act (3 Edward VII., c. 36). By the first the Board of Trade is given power to make orders authorising a railway company to make and use electricity, and securing the safety of the public where it is used. By the Motor Car Act the whole use of motor cars is regulated with a view to preventing reckless and dangerous driving and to ensure the ready identification of offenders. Reckless driving was already an offence both at Common Law and under regulations in connection with the previous Motor Car Act; it is now defined and made an offence under this Act, entailing penalties of £20 for the first offence, and £50 or three months' imprisonment for subsequent offences. Drivers are bound to stop when an accident occurs. The maximum rate of speed is enlarged to 20 miles an hour: but the Local Government Board may reduce this to 10 miles an hour within limited areas, and may close special roads to motor cars altogether.

With regard to the increasingly important class of heavy motor cars under 3 tons (which will include the majority of those used in trade), the Local Government Board are empowered to lay down the conditions of their use. A Committee of the Board is at present considering the matter.

The identification of the car is provided for by the compulsory registering of every car with the council of some local authority, and the carrying in a prominent position of the number assigned. The person driving a car on the highway without the number affixed, or with the number obscured, is liable to the penalties before mentioned.

Further control is obtained by the licensing of drivers. These licenses (issued by councils of local authorities), involve no test of the driving powers of the applicant; but they may be suspended, and the holder disqualified from obtaining another, and it is an offence under the Act to drive a motor car without one. The Act remains in force until 1907.

By the Employment of Children Act (3 Edward VII., c. 45) local authorities are given large powers of regulating the employment of children under 14 by byelaws, to be confirmed by the Secretary of State. They may prohibit employment below a certain age, between certain hours, for more than a certain number of hours per week, or at certain trades. Subject to these byelaws, no child may be employed between 6 p.m. and 9 a.m.;

and no child shall in any case be employed at an occupation likely to injure his health or education, nor shall any child under eleven trade in the street. Where this Act is contravened, both the employer and the parent of the child become liable to a fine. The power which the Petty Sessional Court had to license the employment of children over seven in public entertainments is now restricted to children over ten.

One Act must be noticed that applies to England and Scotland—the Pistols Act (3 Edward VII., c. 18). Under this Act it is unlawful to sell or hire a pistol to any person who does not produce a gun license or show that he is entitled to carry a gun: unless he is going abroad for six months, or only intends to use the pistol in his own house. It is also unlawful for any person under eighteen years of age to buy or carry a pistol. A penalty of £25 or three months' imprisonment is placed upon selling a pistol to an intoxicated or insane person.

Among the Acts that apply to England only, the County Courts Act (3 Edward VII., c. 42) extends the jurisdiction of County Courts to claims of the value of £100 (formerly £50): while the Poor Prisoners' Defence Act (3 Edward VII., c. 38) provides for the assigning to poor prisoners of legal aid in suitable cases at the public expense.

By the Housing of the Working Classes Act (3 Edward VII., c. 39), regulations are made for the re-housing of persons of the working class where land is compulsorily taken. It may be noted that "working class" is defined to comprise mechanics and labourers working for wages: hawkers and others who do not employ anyone but their own family: and persons other than domestic servants whose income does not exceed 30s. a week. Where houses occupied by 30 or more persons of the working class are to be taken, a re-housing scheme shall be approved by the Local Government Board before any house is entered, under a penalty of £500. The Act also provides that in any letting of a working class house there shall always be an implied condition that it is reasonably fit for human habitation, notwithstanding any agreement to the contrary.

As a result of the indiscriminate use of the streets of London by begging processions, and other collectors of alms, the Metropolitan Streets Act (3 Edward VII., c. 17) enables the police to control by regulation the collection of money in the streets.

The Education Act (1902) is applied to London by the Education (London) Act (3 Edward VII., c. 24). The London

County Council becomes the local education authority. Their powers (except as to finance) will be exercised by a committee, to which outside experts may be co-opted, and in which at least one woman will be included.

The borough councils will appoint two-thirds of the managers of provided public elementary schools, in their respective areas; they will also determine (subject to the approval of the Board of Education), the numbers of such managers and how the schools should be grouped. One third of each body of managers must be women. The borough councils must also be consulted in the selection of sites for new public elementary schools: but the Board of Education may, if they think necessary, override their objections.

The managers of non-provided public elementary schools will be appointed as under the Act of 1902—that is to say, four foundation managers to represent the denominational interest, one appointed by the county council, and one by the borough council.

The limit to a 2*d.* rate for higher education imposed by the Act of 1902 will not apply to London. The Act will come into operation on some date before May 1st, 1905, to be appointed by the Board of Education.

With regard to the working of the Education Act, 1902, the Education (Provision of Working Balances) Act (3 Edward VII., c. 10) authorises local education authorities to borrow working balances for carrying the first-named Act into effect.

The Scottish Licensing Laws are revised and consolidated by the Licensing (Scotland) Act (3 Edward VII., c. 25). Part I. of the Act deals with licensing courts and their constitution. Part II. deals with the granting by such courts of certificates to keep inns, etc. Part III. prohibits the granting of excise licenses unless a certificate is first obtained. Part IV. attaches penalties to various offences under the Act. Among other provisions, no person under 16 may be served with spirits to be consumed on the premises; and no person under 14 may be served with excisable liquors to be carried away except in corked and sealed vessels containing not less than one pint; while anyone who sends a child under 14 to fetch excisable liquor (except as above), is liable to a fine. Penalties are also imposed by this Part on riotous behaviour and drunkenness: on procuring drink for a drunken person: and on drinking in an unlicensed house.

Part V. deals with the Registration of Clubs. No excisable liquor may be sold upon the premises of an unregistered club:

and precautions are taken to ensure the registration of only bona fide clubs. Part VI. deals with legal proceedings.

Another important Scottish Act is the Burgh Police (Scotland) Act (3 Edward VII., c. 33), which amends and enlarges the Burgh Police (Scotland) Act, 1892. It deals with the administration of burghs generally; among other provisions it lays down various rules as to the streets and buildings in a burgh, gives certain additional powers and duties to the burgh authorities, prohibits betting in the streets, and deals with the supply of milk from diseased cows and the manufacture of ice cream.

The Irish Land Act (3 Edward VII., c. 37), which is perhaps the most important measure of the year, and on which the highest hopes are built, cannot be more than touched on here. Its main object is to facilitate and encourage the sale of estates, and the purchase by tenants of their holdings. This is effected either by the purchase of the whole estate by the Land Commission (this only in cases where three-fourths of the tenants agree to purchase their holdings), or by the advance to the tenant of the purchase-money of his holding. The Commissioners may not hold land not agreed to be purchased to the value of more than £5,000,000.

The tenant will pay off the advance by an annuity of £3 15s. per cent.; this, Mr. Wyndham stated in introducing the Bill, would wipe out the debt in $68\frac{1}{2}$ years. There are strict provisions against the purchasing tenant sub-dividing, sub-letting, or mortgaging his holding for more than a small amount.

The landlord will be paid in cash, and in addition to the price he will receive a bonus of 12 per cent. from the Treasury. This is to cover the legal expenses (the land system being particularly complicated), and a total expenditure of £12,000,000 is authorised under this head, for which the Imperial Treasury will get no return.

To raise the cash representing the price of the land, $2\frac{1}{4}$ per cent. guaranteed stock will be issued by the Treasury. Not more than £5,000,000 per annum will be issued at first. The total amount required cannot exceed £150,000,000, and the security for this will be the land in Ireland, and the Imperial contribution to Ireland—which amounts to £2,500,000 a year. Failing other sources, the interest on the debt will be paid out of this. Only agricultural and pasture land may be dealt with.

C. A. MONTAGU BARLOW

LETTER FROM CANADA.

FEW topics possess a greater interest and importance in Canada, at the present time, than the transportation question. A commission has been appointed to study it and to make a report for the guidance of the Government. Already sittings have been held, and a considerable amount of evidence submitted relating to the ports of the maritime provinces, which were visited by the Commissioners. The new Railway Commission, at the head of which has been placed Mr. Blair, till recently minister of railways, is about to commence work. Its powers are considerably more extensive than those of the Railway Committee of the Privy Council, whose functions it takes over. Whether it will be found that some of the powers nominally assigned the commission must be left unused, is a question which experience alone can decide. Restraint of discrimination by the railways is an end to be desired: interference with rate-making may prove a dangerous practice, if indulged in.

Meanwhile, the plans for the construction of the new trans-continental line, from Port Simpson to Moncton, are being advanced. The session of parliament, which has been announced, will be concerned with modifications of the contract with the Grand Trunk Pacific Railway, embodied in an Act of the last session. The construction of the Eastern section of the line, from Winnipeg to Moncton, the part of the plan which led to the retirement of Mr. Blair from the ministry, is, we are assured, to be proceeded with. So far as that is concerned, rumour wrongly connected the intended modifications of the Grand Trunk Pacific contract with an abandonment of this feature of the scheme.

As a correspondent of the *Times* recently (December 25th) pointed out, one of the reasons advanced for the construction of this line was the danger of the suspension of the privilege of shipping goods through the United States under bond, a privilege which proves a great convenience to Canadian shippers. The dependence of Canada on the maintenance of this privilege does not appear, however, to be by any means the only feature of importance relating to it. The *Times* correspondent adduces certain data intended to show that Canada's trade is, at present, driven to United States ports during the winter, and is dependent on the friendly disposition of our neighbours to the South. It would, undoubtedly, be a great misfortune, deserving, perhaps,

the name of calamity, if the free choice of routes for our export trade were limited by the interruption of freedom of transit in bond.

There are other aspects of the matter, however, which encourage a confidence that the calamity in question will be averted. Apart from the increased degree of independence of United States transportation routes which the construction of the new transcontinental railway may afford, existing routes for summer traffic are being steadily improved. The handling of grain on the great lakes, and thence to Montreal, is now so efficiently conducted that one important argument for the improvement of the Erie Canal is that the St. Lawrence route competes too severely to be endured as things are. From the head of the lakes to Montreal, grain can be handled at $4\frac{1}{2}$ cents per bushel, and has been handled at a lower rate than this in the season recently concluded. The transfer to ocean-going vessels at Montreal can be made directly from canal barges, and I am assured that this fact alone is sufficient to outweigh the disadvantage in insurance rates under which the St. Lawrence still labours. The greater cheapness has brought large quantities of United States grain to Montreal. The preliminary figures of exports of Canada during the five months ending with November show an export of barely $7\frac{1}{2}$ million bushels of domestic wheat, as against over 5 million bushels of foreign wheat, and as large an amount of maize from the United States.

Taking wheat, oats, and corn together, the second half of 1903 showed, according to a return of grain exports in the daily newspapers, a greater export of these three from Montreal than from any other Atlantic seaport, New York itself included. For the whole year 1903, Montreal was surpassed in grain exports by New Orleans and New York alone of the ports on the Atlantic. Doubtless there are interests which would be served by the diversion of the trade from Canadian¹ to United States routes. Similarly, in the case of the large amount of freight which passes between New England and western states, traversing part of Canada on the way, the diversion to lines of transportation lying wholly within the United States would profit transportation interests there, but be antagonistic to the interests of shippers and consignees. Then, again, the movement of Canadian goods

¹ It should be stated that Canada imposes a duty on grain imported for consumption as follows:—wheat 12 cents per bushel, oats 10 cents per bushel, corn imported for use in distillation $7\frac{1}{2}$ cents per bushel, rye 10 cents per bushel, &c.

through United States ports to Europe and elsewhere, and the movement of goods to Canada through New York and other United States ports, enlists interests on the side of not driving away freight, and the profits which arise from handling it, by imposing such an obstacle as the interruption of the bonding privilege would prove.

Though some parts of the United States may be found to favour the removal of the privilege, and other parts be indifferent, there are important interests concerned in the maintenance of the privilege. The western states gain, and so does New England, the latter having an especial interest in maintaining the competition of the Canadian Pacific Railway and the Grand Trunk with the other railways which serve them.

Bearing in mind the effective resistance of the fishing interests of Gloucester to the Newfoundland treaty, the special concern of Portland in being used as a port of shipment for Canadian products, and a port at which goods are landed *en route* to Canada, seems worth considering. The fishery products landed at the two ports of Boston and Gloucester together are stated in United States returns at a value of about four millions of dollars in 1901, less than $4\frac{1}{2}$ millions in 1902. In 1902, of 10,840,000 bushels of grain shipped from Portland, over 8,000,000 bushels were Canadian grain. In the eleven months to November 1903, of 11,740,000 bushels shipped, again over 8,000,000 bushels were Canadian. In the fiscal year 1901-2, the domestic exports from Portland were \$14,300,000. The imports for United States purposes were \$1,200,000 in round figures. The imports received by water and sent on overland to Canada were \$6,680,000. To this must be added the Canadian goods exported. It is only in 1903 that the United States records supply data as to the total amount of this transit trade. For the eleven months to November, the value of the principal Canadian goods sent in transit to Portland for shipment exceeded six million dollars. It would, therefore, appear as if the value of goods passing through Portland on Canadian account is more than 40 per cent. of Portland's total foreign trade. Portland, at least, would be very seriously injured by any interference with the bonding privilege. If Gloucester's fishing interests can prevent the establishment of free trade relations between the United States and Newfoundland, what may be expected of the greater interest of Portland in the handling of Canadian goods shipped in bond?

Quite recently, the fact that Canadian convenience is not alone concerned in facilities for interchange of traffic between the

United States and Canada has received a fresh illustration. The Customs officials at St. John have been enforcing a regulation requiring that goods shipped to St. John from United States ports, for free transshipment there to ocean-going vessels, must be carried in ships of British registry. The regular lines of American-owned vessels trading between Boston, Portland, and St. John have found such action a serious hindrance to profitable business, and a compromise, which may permit the continuance of business on the lines on which they have developed it, is sought. If my memory is not at fault, the action above referred to was preceded by an increase of stringency on the part of the United States Customs department in its relation to passengers on this very route. The written declaration required of passengers landing at New York and other ports, coming from Europe, was announced as about to be exacted also from passengers between the ports of the Canadian maritime provinces and the ports of the United States. Whether the act of the Collector of Customs at St. John, in insisting on the nationality of the vessels entitled to privileged treatment, is in any sense a reprisal to the new regulation of the United States Customs does not appear. They are closely related in time at any rate.

There is one point in which the statistics quoted by the *Times* correspondent might have been made to support his thesis of our dependence on United States routes much more effectively. He shows, for example, that the value of certain food products exported to Great Britain during the months December, 1902, to April, 1903, from Halifax and St. John was \$7,145,000. Now the total value of these same products, exported to any destination whatever from Halifax and St. John, during the year July, 1902, to June, 1903, is given in the Trade and Navigation returns as \$7,700,000, of which \$6,860,000 was sent from St. John. Is it not certain that a large proportion of the latter reached St. John by the Canadian Pacific Railway short line through the State of Maine? Would not this route be affected equally with the routes to Portland, Boston, New York, &c., by the interruption of the bonding arrangements? The 30 per cent. of winter food exports shown to be shipped from Canadian ports, might probably be reduced to a figure not exceeding 10 per cent. sent by all-Canadian routes. But what does this prove? Should we not need to know how the individual items would be affected by the greater expense of a longer haul over a Canadian line? As the Intercolonial is a Government line, suspension of bonding arrangements might be met by a

reduction of freight rates sufficient to minimise the inconvenience, just as canal tolls have been suspended on Canadian canals during the past season. A known difficulty in moving freight to ocean ports during the winter might affect the proportion of the goods least able to bear heavy charges which would be moved *viâ* St. Lawrence ports. The capacity of these ports is being enlarged year by year. As far back as 1897-8 a much larger amount of grain was shipped from Montreal than in 1902-3. Yet the lake grain-carriers, the canals, the elevators, can all handle more now than then. A return, with which the Department of Trade and Commerce has favoured me, shows that over 21 millions of bushels of Canadian grain of all kinds was shipped through the United States in each of the fiscal years 1901-2 and 1902-3. In the first of these years, over 10 million bushels, in the second over 8 million bushels, of foreign grain was shipped through Canadian ports. The same interference with bonding arrangements, which would deprive United States railroads of the freight represented by the 21 millions, would divert the foreign grain from Canadian routes, and thus leave them the freer to handle domestic grain. The channels would not be so likely to be choked as might appear if we think only of the amount now sent through the States.

The general manager of the Canadian Bank of Commerce, at the recent Annual Meeting of that institution, pointed out that, during the season just ended, a smaller proportion of our crops were shipped by United States routes than ever before. He said: "We are now carrying nearly all of our own grain and a fair quantity of grain grown in the United States." He stated also that, in 1903, the number of cattle shipped from Montreal was 147,216. The United States statistics show that, in the eleven months ending November, 1903, the number of Canadian cattle shipped from United States ports in transit was only 13,831, while the total number of cattle shipped from Atlantic ports of the United States in those eleven months was 286,217, of which New York accounted for 131,392, or less than were shipped from Montreal in the seven months from May to November. The relative position of the chief port of the Dominion is rapidly improving, and the capacity of Canadian routes to take care of Canadian trade in the future must not be judged simply from the indications of the recent past.

It was on considerations such as have been stated above that the assertion made on p. 479 of the last number of this *Journal* was based. Were our neighbours to interfere with existing

privileges of transit of merchandise in bond through their territory, it would, unquestionably, be a source of no small inconvenience to Canada, but it would smack of the policy of "cutting off one's nose to spite one's face."

In the course of the comparison of different records relating to the subject of this letter, the writer has been struck by the apparent discrepancies between statements apparently applying to the same facts. Thus the Canadian accounts show the following for our foreign trade carried on through the United States.

Fiscal year ending June 30th.	Merchandise imported from Foreign Countries through the United States. \$	Merchandise exported to Foreign Countries through the United States. \$
1903	24,843,380	49,509,026
1902	22,313,751	48,192,850
1901	20,971,513	36,822,096
1900	24,007,662	25,606,984

The regularity of communication with Europe *via* New York is an obvious reason for the receipt of a substantial value of merchandise through that port. The increasing use of the ports of the United States for our exports is, however, very striking.

The Statistical Abstract of the United States, reproducing figures from the annual return relating to Foreign Commerce and Navigation, shows the following, so far as the Dominion of Canada is concerned:—

Merchandise received for immediate transit across United States territory, or for immediate transshipment to other foreign countries.

Fiscal year ending June 30th.	Shipped to Canada. \$	Received from Canada. \$
1902	37,577,144	61,070,657
1901	30,483,655	44,242,139
1900	31,350,372	43,574,868

Figures for the latest year are not yet to hand. The Monthly Summary, already quoted, however, shows the amount and value of leading articles of merchandise brought from the Dominion of Canada, and entered for transit across the United States territory to Foreign Countries as follows:

Six months ending June 30th, 1903	\$ 12,687,527
Eleven months ending November 30th, 1903 . .	19,610,923.
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These amounts include, however, as stated, only leading articles, and only represent the use made of United States routes in respect of these commodities. The contrast between the Canadian and United States figures relating apparently to the same trade movement is very noteworthy. Apart from a conjecture that possibly the use of routes between different parts of Canada which traverse United States territory may be included in the United States return, omitted from the Canadian, I cannot explain the differences. The conjecture is not strongly supported by examination of the figures. Thus we have :

Fiscal Year ending June 30th.	United States receipts of goods in transit from Canada less Canadian exports to Foreign Countries through United States.	United States shipments of goods in transit to Canada less Canadian imports from Foreign Countries through United States.
	\$	\$
1902	12,877,807	15,263,393
1901	7,420,043	9,512,142
1900	17,967,884	7,342,710

If the difference between Canadian and United States accounts depended on the inclusion in the latter of goods received at one Canadian frontier station for shipment to another Canadian frontier station, the figures in the two columns of this last table ought to be, at any rate approximately, equal.

Reference to this point affords opportunity for again emphasising a matter entirely omitted from all the official records which I have been able to consult, namely, the value of United States goods which traverse Canadian territory in the same way in which Canadian goods, moving by the Canadian Pacific Railway short line across the State of Maine from the provinces of Ontario or Quebec to New Brunswick, traverse United States territory. The department of Trade and Commerce at Ottawa inform me that they have no record of the value of goods thus passing through Canada, but I have been assured by those whose connection with the transportation routes conveying such goods should enable them to speak with authority that the amount is very substantial.

While on the subject of discrepancies in the trade statistics of different countries, it may be pointed out that, taking the three years July, 1900, to June, 1903, the British returns, reducing hundredweights to bushels at the rate of 60 pounds to the bushel, show imports of wheat, as grain, from Canada and the United States respectively, averaging 15 and 72 millions of bushels per annum. The trade statistics of Canada and the

United States show exports of wheat of the domestic produce of these countries, to Great Britain, averaging respectively $21\frac{1}{2}$ and 68 millions of bushels. The discrepancy in the aggregate receipts in the United Kingdom from North America, and the shipments thence, is small, but the distribution, as shown in the British accounts, is substantially different from that shown in the accounts of the countries of origin. A difference in the opposite direction is shown in the figures for wheat flour, but not sufficient to show the contribution of Canada to the bread supplies of the mother country in the relative importance, compared with the United States, which the returns of these countries indicate. This is a matter intimately connected with the chief subject of this letter, inasmuch as the differences here pointed out are traceable to the shipment of Canadian products from United States ports, and *vice versa*.

A. W. FLUX.

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RECENT OFFICIAL PAPERS

Views of the Government of India on the Question of Preferential Tariffs. [C^d 1931.] 1904.

OF two alternative plans that India should be as free as the self-governing colonies to protect against British goods, and that she should maintain dues on British and Colonial goods as now for revenue, while imposing a higher rate on foreign goods, the former is dismissed as impracticable. The latter would benefit the British manufacturer. "But as regards India the balance of advantage is distinctly adverse." She has very little to gain and a great deal to lose, considering the danger of reprisals by foreign nations, and the necessity to India of foreign trade as the means of meeting her obligations. All that the Indian Government ask for is that they should not be pledged in advance to accord equal treatment to the imports of all countries alike whether they penalise our exports or not. India has recently used effectively the threat of a higher tariff or the concession of a lower one in her dealing with Russia and France.

Reports on Tariff Wars between certain European States. [C^d 1938.]

Three tariff wars, between France and Switzerland (1892-5), between France and Italy (1888-99), and between Germany and Russia (1893-4) are described; each war in two reports, one from each of the two countries that were parties to that war. (I) Of the Franco-Swiss war His Majesty's representative at Paris reports that the decline in the French exports to Switzerland in the three years 1891-94 was nearly 45 per cent.; while the corresponding decline of Swiss exports to France was nearly 35 per cent. The trade relations between France and Switzerland have not yet recovered their prosperity of thirteen years ago. The course of the war from year to year is given in the report from Switzerland in the form of extracts from the annual reports of the Swiss Commercial and Industrial Society. (II) The Franco-Italian war from the French point of view appears equally disastrous. The dreary details of loss are given by the Italian correspondent. A Ministerial memorandum laid before the Italian Chambers, 1889, showed that the differential duties had almost ruined the export trade to, and the import trade from, France. The joint loss to the two countries is estimated as £120,000,000. The termination of the war has not nearly restored the volume of trade to its former level. (III) Among the chief causes of the tariff war between Russia and Germany were (a) Russia's heavy protective duties on imported manufactures and the preference given by her to sea-borne over land-borne goods; (b) Germany's heavy duties on imported cereals not lightened for Russia, as for other nations, by a treaty. In 1892 Russia created a double tariff and threatened Germany with the maximum; Germany retorted with differential duties of 50 per cent. on Russian goods. Russia followed suit, and also raised dues on German shipping. So the war raged from August, 1893, to March, 1894, when a compromise was effected. Great increase of trade has followed, the consequence, perhaps, of that clause which stipulated that there should be no addition of duties on certain articles for ten years. The report from Berlin represents the concessions made by Russia as greater than those which she obtained.

Special Report on Employees and Wages (Twelfth Census of the United States). By D. R. DEWEY, Ph.

THIS is a monumental record of earnings and rates of wages in thirty-four staple and stable industries of the United

States. The introductory chapter setting forth the method and scope of the inquiry is of great statistical interest. The use of the median and quartiles is advocated. The comparison between rates of wages in 1900 and in 1890 is thereby facilitated.

The Bulletin of the Bureau of Labour (Washington), for November, 1903, gives the results of an investigation into the cost of living of working men's families in the United States. The retail prices for articles of food weighted according to the proportions consumed by 2,567 families (in 33 States) show a rise of 10.9 per cent. in 1902, as compared with the period 1890-99; a rise of 16.1 per cent. as compared with the year of lowest prices, 1896. These articles represent 42.5 per cent. of the average family expenditure. For rent, which makes up nearly 13 per cent. of that average, no statistics are available. For clothing and other articles there are only wholesale prices. Assuming that retail prices rise and fall less than wholesale prices, it is estimated that the cost of living as a whole has risen by not more than 16.1 per cent. since 1896.

OBITUARY

HERBERT SPENCER

HERBERT SPENCER died at Brighton on the 8th December, 1903, in his 84th year. Though never of robust health, he had been able by rigid economy of his strength and patient perseverance in plain living and high thinking to carry out in its broad outlines the whole of the large philosophical scheme which he had set before himself fifty years ago. He had applied his Synthetic Philosophy to the chief departments of human knowledge. The essence of it is in his own words a doctrine of evolution proceeding from "indefinite incoherent homogeneity to definite coherent heterogeneity"—from simple unity to a unity of differences. In a prospectus of 1860 (reprinted in the Preface to *First Principles* a few years later), the scheme already embraces the Principles of Biology, of Psychology, of Sociology, of Morality; and books from him on all these subjects have duly appeared. They have been widely read, and have exerted a great influence, though the number of

Spencer's admirers has always been larger than the number of his adherents, especially in political theory.

By habit and repute a philosopher, he cultivated close relations with economics. His political economy is nearest to that of Adam Smith; with that philosopher and economist, he has many points of contact, finding much truth in Adam Smith's ethics of sympathy (see *Social Statics*, 1850, ch. v, § 5), sharing his dislike not only of the interference of the State, but even of the action of voluntary combinations as soon as these became a power in society. He did not like the Dock Strike of 1889. (*Justice*, 1891, p. 244.) His praise of co-operation is very cautious (see *Principles of Sociology*, and the extract from it contributed by his own authority to the *Labour Co-partnership Journal*, October, 1896).

But he was not bounded by the ideas of the 18th century. The broad analogies between biology and industry, for example, which appear very tentatively in Quesnay and Adam Smith, are expanded and expounded with fulness of knowledge by Herbert Spencer (in *Principles of Sociology*). The hint which he ascribes to Milnes Edwards (*Justice*, p. 229) of an analogy between physiological and industrial division of labour has been improved by him in the taking. To him it is not so much an analogy between two different phenomena as the appearance of something one and the same in a more and in a less highly developed form. The "law" of the relation between conduct and consequence, too, appears in the animal as well as in the human kingdom. So does the very law of "non-interference," requiring that the actions by which the individual benefits itself and avoids evils shall be so guided as to allow the like acts of others, in the social herd; and so also the law of sacrifice of the individual for the herd under certain conditions (*Justice*, pp. 15 seq.).

Whatever may be the rightfulness on other grounds of laying materialism and agnosticism to the charge of Herbert Spencer, he cannot be accused of making too little of the place of morality in the world. To him, morality as it is in man is in the nature of things; it is the same phenomenon as is traceable in all animated nature, and by no means fortuitous and haphazard. He goes so far as to vindicate the use of the old terms Law of Nature and Moral Sense (*Social Statics*, Introduction). The notion of Greatest Happiness is described in a quite Aristotelian manner: "To have complete felicity is to have all the faculties exerted in the ratio of their several developments; and an ideal arrangement of circumstances calculated to secure this con-

stitutes the standard of Greatest Happiness" (*Social Statics*, Introduction, compare *Data of Ethics*, 1879, ch. ix, §§ 56 seq.). "Pleasure is an unintended concomitant" (Letter to *Spectator*, 16th December, 1899, cf. *Data of Ethics*, § 67). He is not without reservations a Utilitarian;—neither does egoism avail altogether, nor altruism, as a rule of conduct. He recognises the close coincidence between himself and Kant in jurisprudence and ethics (*Justice*, Appendix). When interpreted with sufficient freedom, he may seem to be nearer to that philosopher than to Hobbes or Bentham.

His view of the relation of ethics and economics was likely, therefore, to have a character of its own. To Herbert Spencer, Political Economy is an instance of the victory of natural philosophy over superstition (*Social Statics*, ch. xxiii, The Regulation of Commerce); it showed law where there had seemed to be no law. That is the intellectual side. On the other hand, like Adam Smith and Richard Cobden, he found a coincidence between morals and economics (*Social Statics*, ch. xxxi, Summary, § 4). It is more to him than a coincidence; ethics may be said to include economics. "The laboured arguments of Adam Smith and his successors are forestalled, and for *practical* purposes made needless by the simplest deductions of fundamental morality, a fact which perhaps will not be duly realised until it is seen that the inferences of political economy are true only because they are discoveries by a roundabout process of what the moral law commands" (*ib.*). A breach of economic laws is a breach of the law of right, and Protection is, among other things, an injustice (*Social Statics*, Introduction, conclusion). "All that the Anti-Corn Law League did with its lectures, its newspapers, its bazaars, its monster meetings, and its tons of tracts, was to teach people what should have been very clear to them without any such teaching—that no good can come of violating men's rights. By bitter experience and a world of talk, we have at length been made partially to believe as much. Be it true or not in other cases, we are now quite certain that it is true in trade. In respect to this at least we have declared that for the future we will obey the law of equal freedom" (*ib.* ch. xxiii, Regulation of Commerce, § 4). "To recognise and enforce the rights of individuals is at the same time to recognise and enforce the conditions to a normal social life" (*Man versus State*, 1885, p. 102). The moral law itself is simply the law of complete life (an idea worked out in the *Data of Ethics*, 1879). "The liberty of each limited *only* by the like liberty of all is the

condition of complete life as applied to mankind at large" (*Social Statics*, 1850, ch. xxxi, Summary). Parliament has come to encroach more and more on this liberty; and "the function of true Liberalism in the future will be that of putting a limit to the powers of Parliaments" (*Man versus State*, p. 107).

Herbert Spencer has written few papers directly economical in title. The essays on "State Tamperings with Money and Banks" and on "The Morals of Trade" (both in *Essays*, 2nd series, 1863) are among the few exceptions. From the first, bank legislation has been an organised injustice (*l. c.*, p. 302). The Act of 1844 was a remnant of Protectionism (*ib.* 305). The reasoning, we see, is of a piece with his general political philosophy. Such an essay as that on the Social Organism (*ib.*) is full of economic illustrations; and, in fact, economics of an ultra-classical character pervades all the social and political works of Spencer. The chapters in *Justice* (1891) on the rights of free exchange and free industry, for example, are a philosophical treatise in little upon the doctrine of Free Trade; and taxation is not left out (199, 200). He sees that principles are necessary, in such cases, and not mere judgment "of each case on the merits" (249 *seq.*). Passive Resisters might find an argument in his plea for direct taxation, founded on the right which a man has of ignoring the State. The said right, he says, is not vindicable unless the tax is so imposed that the tax can be repudiated (*Social Statics*, ch. xix, § 2). The Poor Laws are unsparingly condemned; the supposed cruelty of Malthus is tender mercy beside the rigour of Herbert Spencer (see *Social Statics*, ch. xxv, Poor Laws). "In their eagerness to prevent the really salutary sufferings that surround us, these sigh-wise and groan-foolish people bequeath to posterity a continually increasing curse." "Most of the objections raised by the dissenters to an established religion will tell with equal force against established charity." Even education is not the affair of the State. Spencer has no belief in the "collective wisdom." Governments are to him at best a necessary evil. "As amongst the Bushmen we find a state antecedent to government, so may there be one in which it shall have become extinct. As civilisation advances government decays" (*Social Statics*, Introduction, § 4).

This Anarchism of Herbert Spencer is that of William Godwin, but on an immensely more solid foundation of knowledge. It has notoriously lessened his popularity in these democratic times. His views on property in land, the views, in 1850, of a far advanced reformer, such as is now called a Nationaliser

of the land, must weigh a little in the other direction. He afterwards changed his opinion as to the ways and means of rectifying the supposed wrongs and did not wish *Social Statics* to be taken as in all points representing his mature views. But his arguments against himself, perhaps the most telling summary on record of the case against Nationalisation with or without compensation, still leave us with the feeling that he is reluctant to be convinced (*Justice*, 1891, App. B, The Land Question).

There is no shrinking from application of the main political principle. The very Post Office is not spared. But it is not fair to say that Spencer wishes the State to be dissolved, as things are now. We are not yet out of the condition he calls militarism; and therefore we need the State for defence and for justice. Justice means to him rather the prevention of wrongs than the securing of rights. His complaint is that the work which it is proper for the State to do is not well done by it, the State wasting its time in trying vainly to do what is improper for it altogether. As we pass out of the military condition of things, we should come into what may be called Anarchism or Absence of Government. The Anarchism would be far-reaching. Education itself, "so far as it seeks to form character, serves only a temporary purpose, and, like other institutions resulting from the non-adaptation of man to the social state, must die out" (*Social Statics*, ch. xvii, The Rights of Children).

The stream of tendency in politics has not made for the ideals of Herbert Spencer; and in *The Man versus the State* he laments the fact with some bitterness. Socialists, especially "Municipal Socialists," may perhaps consider that they will be Spencerians when their Socialism has first of all done its perfect work and made Anarchism possible. It is certain, however, that Spencer himself took no such view of the matter; and if he has had an attraction for certain classes of Socialists it has been in spite of himself. As life advanced he did not become more conciliatory.

It has sometimes seemed that a writer's style grows worse as his thought grows more mature. This is at least not so true of Spencer as it was of Bentham. The pointedness and vigour of the *Social Statics* can be paralleled in the *Study of Sociology* (1873), perhaps the most popular of Spencer's works. But the larger books, say the *Biology*, the *Psychology*, the *Principles of Sociology*, give more colour to the assertion. Even the smaller of the later books contain few such racy

passages as the apologue of the Monkey and the Jar of Fruit in *Social Statics* (ch. xxvii, Government Colonisation). A remark in *Justice* (p. 57, note) has the sort of humour that occurs perhaps twice or thrice in the staid Stuart Mill: "I know only one thing more remarkable [than the resurrection of a doctrine], and that is the way in which a system of thought may be seen going about in high spirits after having committed suicide."

This is not the place for a discussion of Herbert Spencer's philosophical or educational ideas. The Essay on Education has been brought to bear on the teaching of Economics, as of other things. Written as long ago as 1861, it seems curiously modern; its ideas were in advance of the time. That its author was not always abreast of his time means no more than that he was a finite human being. The balance of opinion amongst learned men is not likely to incline towards the duodecimal system of weights and measures; but Spencer never ceased to oppose a compulsory Metric System. His Will (1900) directed that, if within ten years after his death a Bill should be introduced to establish the Metric System, his pamphlet *Against the Metric System* should be reissued at a nominal price. The contingency has already arisen (23rd February, 1904) in the House of Lords. It is of interest at the present juncture to recall the warning addressed by Herbert Spencer to the Japanese in 1892 (quoted in *Times* of 18th January, 1904) to "keep other races at arm's length as much as possible," to trade with them by all means, but not to ally themselves with them—in marriage or otherwise.

JAMES BONAR

A. E. FR. SCHAFFLE

THE last days of the year that is gone brought a grievous loss to German political science. On the 25th of December died Albert Eberhard Friedrich Schäffle. With him there passed away one of the great German scholars of the 19th century—one of those who have not only opened up new lines of thought and theory in politics, but who also, as statesmen and publicists, have most effectively influenced, instructed and educated public opinion within the German empire in very different departments of civic life.

Schäffle was born February 24th, 1831, at Nürtingen in Suabia. Sprung from the most tenacious among Germany's

racial units, he remained true to his type, like many of his less broad-minded countrymen, and in spite of his imperial anti-sectarian views. He was destined for the Church, but, while yet a youth, turned aside to journalism. After studying political science at the University of Tübingen, he worked on the staff of the *Schwäbischer Merkur*, an old highly respected organ of his native State. In 1860 he was appointed Professor of Political Economy at Tübingen, and in 1861 entered the Württemberg Parliament as a delegate. Till 1865 he remained engaged in the political life of his own country. He was called thence in 1868 to fill the chair of political economy at the University of Vienna.

Residence in Austria opened up the most important episode of his professional life. Public life in the Austria of that day had been mightily stirred by the catastrophe of 1866. Herein Schäffle found direct incitement to the first of those writings which display his special and admirable ability—the power, that is to say, of treating radically and from a scientific point of view questions and phenomena of practical politics and of actual social life. The modern labour movement which was then (1869) for the first time taking its place as an independent political factor in Austria, incited him to a series of public speeches. These were committed to book-form and published under the title *Capitalism and Socialism*. He here sets out, in graphic and effective style, both his central ideas concerning the labour question and his conviction of the necessity for the federalistic organisation of the modern imperial State. It is certain that, by this publication, Schäffle's strenuous opposition to the then omnipotent idea of capitalistic liberalism and of a Pan-German centralisation brought him into line with the Conservative party in Austria. When, in 1871, the Conservative leader, Count Hohenwart, was called upon to form a Ministry, he included Schäffle as Minister of Commerce.

This Government lasted only a few months, affording Schäffle no adequate opportunity for converting his principles of economics and home politics into measures. But Schäffle was none the less destined to champion to the fullest extent his ideas on the functions of the State. In the drafting of the fundamental articles of the Constitution which were intended to replace the older Austria of a centralistic and German stamp by a more elastic scheme of federation, conferring equal political status on Slav and German nationalities, Schäffle was the leading spirit. It was the attempt to carry out this at that time premature recon-

stitution of Austria that overthrew the Hohenwart Ministry in October, 1871.

Schäffle now left both Austria and academic activity for good. He went to live at Stuttgart, his remarkable literary power henceforth unhindered in its full development by office of any kind.

The three years spent in Austria divide his work as author into two periods. Previous to the year 1868 he published two very notable theoretic writings: the *Hand- und Lehrbuch der Nationalökonomie* (1861, 2nd Ed., 1867) and *Ueber die Theorie der ausschliessenden Absatzverhältnisse*¹ (1867). In these works, as also in an essay, *Ueber die ethische Seite der nationalökonomischen Lehre vom Wert* (1862), he set himself to oppose the school of economic liberalism prevailing in Germany and elsewhere generally. The work on "Capitalism and Socialism" dates from the Vienna period, and was, later on, developed and incorporated with his theoretic *magnum opus*.

In his lectures Schäffle had for the first time come forward, with a frankness too outspoken for that generation, to vindicate many of the claims and arguments of Socialism. In his *Quintessenz des Sozialismus* (1874), which first won him a world-wide reputation, he enunciated still more clearly his hostile position, in theory as in practical politics, over against the predominance of capitalistic Liberalism. This treatise, published at first anonymously, and running, till 1891, through thirteen editions, was translated into French, English and Spanish, and did more than any other production to enlighten the views of the educated and the well-to-do, in Germany and Austria, on the real nature of Socialism. In masterly fashion with verve and conciseness, Schäffle has therein demonstrated that the central claim of Marxism, namely, the complete supersession of private enterprise by social collectivistic capital, involved, as such, no principle hostile to civilisation. The bogey of the "Reformatory State" (*Zuchthausstaat*) was, he showed, by no means identical with the idea of the Collectivist Labour State.

In this work Schäffle came so near to an accord with Social Democracy, which the German Government was then combating through special legislative measures, that his book, the work of an ex-Minister of Austria, came to be—for two days only—on the German Government's *Index librorum prohibitorum*. As a matter of fact, Schäffle, far from stirring up revolutionary

¹ *On the Theory of Monopolies in Trade.*

agitation, had only claimed "calmly to think out just for once the idea of a Socialistic State," and to criticise the shrewd and significant doctrinal structure of Marxism with intellectual weapons, instead of condemning it without a hearing.

The book was none the less very largely misunderstood. And when Schäffle, ten years later, brought out his brochure on the absence of any future for Social Democracy in Germany, *Aussichtslosigkeit der Sozialdemokratie* ("Three Letters to a Statesman," 1884), he was on many points accused of self-contradiction, and even of a sort of apostasy. This judgment was certainly unjustifiable, even if it cannot be denied that Schäffle first invested the phenomenon of German Social Democracy with too much light, and then with too much shadow. As a politician he remained ever true to his standpoint. Namely, he refused to regard political and economic Liberalism as the goal which could satisfy all aspirations. On the other hand, he considered it as a transitional stage—necessary but to be transcended—leading to a higher order of civic and economic commonwealth, built up on the organisation of trades and professions on guild principles.

This view, and the twofold criticism which it involved, of capitalistic Liberalism and of revolutionary socialism, were worked out by Schäffle, with fulness of breadth and depth, in the third volume of the chief work of his life. This *Bau und Leben des sozialen Körpers*¹ (2nd edition in 2 volumes, 1896) is the book which raised Schäffle, as guide and founder of German sociology, to the front rank of thinkers. I venture to contend that, in this work, Schäffle wrought for German science what Herbert Spencer achieved for English sociology and Auguste Comte for that of France. Certainly he surpasses both in the richness of his knowledge and his insight into the whole field of economics and practical politics of our time.

It is impossible, in this connection, to make even an approximate characterisation of a work so large and many-sided, so instructive and rich in contents. I would only suggest that, as a rule, Schäffle's critics, in my opinion, have thrown into far too great prominence the theoretical scaffolding of his book, the parallels, namely, between the social and physical body, often pursued into the furthest details, and the base idea of the organic theory of state and society, so widely, often too widely, spun out. Let it be granted that so many of Schäffle's analogies in the psychology of the individual and the aggregate, and between biological and social phenomena are untenable. Let us even

¹ *Structure and Life of the Social Body.*

reject his methods as wrong in principle. There will still remain the abundance of relations discerned in the social and economic life of the modern commonwealth, discerned with clearness of vision and set forth with the vivacity of direct intuitions. There will still remain unimpoverished the wealth of ideas and original observations. Still will remain unshaken the great literary and scientific value of the work.

To the last decade of Schäffle's creative life belongs his fine work on the science of finance. *Steuern* (2 vols., Leipzig, 1895—7) is a composition the independence and originality of which do not suffer side by side with even the classic works of Vocke and Adolf Wagner.

A series of minor independent writings, as well as an extraordinary abundance of monographs, reviews and essays which were published, for the greater part, in the periodical *Zeitschrift für Staatswissenschaft*, edited for many years by Schäffle himself, testify to the astonishing range of his scientific and political interests, and are always instructive by their richness of content and their constant bearing on the practical sides of the question. Among these, to name a few, are his writings on a corporate compulsory relief fund (*Der Korporative Hilfskassenzwang*, 1884), the monograph on an international double standard of value (*Für internationale Doppelwährung*, 1881), and the book, *Die Inkorporation des Hypothekarkredits* (1883). In the two volumes of essays, *Gesammelte Aufsätze* (1885—87), as well as in the later collection, *Deutsche Kern-und Zeitfragen* (1894, 1895), Schäffle has published the most important of his—in the best sense of the word—popular essays on questions of constitutional, administrative, fiscal, financial and social politics. In his latter years he devoted special attention to the housing question; witness the work compiled in conjunction with Paul Lechler, *Neue Beiträge zur nationalen Wohnungsreform* (1897).

All these special studies are exhaustively enumerated in Schäffle's biography in the *Handwörterbuch der Staatswissenschaften*, 2nd edition, vol. 6, p. 507. When we survey the list, we cannot but admire the great power of thought and work in this indefatigable investigator and writer, and acknowledge in him the genuine "Polyhistor" of German political science.

With him, whose sure and far-seeing vision surveyed the whole, all but illimitable, realm of phenomena and problems belonging to modern civic life, German science has lost a great political teacher, German politics an unwearying counsellor of ripe wisdom and experience. As theorist, as publicist, he

stands unquestionably in the foremost rank of the German academic Socialists—that band of notable and meritorious scholars who have followed up the victory of the emancipating and therefore essentially negative theory of economic Liberalism by a system of comprehensive and specially constructive ideas, opening up lines of fertile activity to German legislation and administration.

If we try to express in one sentence Schäßle's many-sided and peculiar scientific personality, we might say: His speciality lay in the remarkable conjunction of sober practical observation and the analysis of particular social and economic phenomena with a bold philosophic grasp of the civic life in its totality. With the latter faculty he seeks to penetrate and to explain each individual circumstance. With his wealth of actual perceptions of economic and social life he verifies ever anew and builds up his theories, his fundamental view of state and society. The philosophic structure of his thought allies him with the great ideological doctrines of classic German philosophy which characterised the first half of his century. By the comprehensive and inductively attained principles of his system Schäßle ranks among the founders of the modern positive school of German social and political science. In the history of political science he will be lastingly honoured as a mediator between those two great periods of the intellectual development of the nineteenth century.

JOSEF REDLICH

CITY NOTES.

WE receive the following notes from R. G. :—

The Renewed Fall in Securities.—In these Notes last December the topics were the continued liquidation in the stock markets, with special reference to the Steel Trust and the like ventures; the prolonged dearth of money; the signs of weakening in trade and increase of unemployment among the working classes; and finally the increase of apprehensiveness generally, consequent on the increasing tension between Russia and Japan. It is this last circumstance mainly, followed by the actual outbreak of war on the 8th of February, which has attracted attention during the last three months. The results are a continuance of the liquidation and of general apprehensiveness in all markets, along with dear money, culminating in

February, in a heavy fall on the Continental bourses, and a sympathetic fall in London, including a set-back of Consols not only to the low price of 87 referred to in December last, but to the lower price of 86 and a little under—the lowest figures touched for many years. There have likewise been one or two failures and suicides of small bankers on the Continent, who are rather finance-mongers than bankers in the English sense of the word, and at the present date of writing (March 1st) there appears no stoppage of the apprehension.

Russian Securities.—A special cause of uneasiness is undoubtedly the extensive holding of Russian securities by speculators in France as well as by French investors. The estimates are that something like £400,000,000 of money have been placed by the French people in Russian stocks; and as a Russian war with Japan has come unexpectedly for them, and Japanese successes at the outset still more unexpectedly, the markets have been unable to resist the shock. But for the pessimism and speculative sales on the London Stock Exchange which have been going on so long the shock would have been worse than it has been. The condition, however, is still very serious. As time goes on, those interested will have to form estimates of the probable results of the Russo-Japanese war in many directions, and it would not appear as if very great disasters could be avoided. The confidence of the Continent in Russia has been altogether unfounded, and when the eyes of investors there are opened, and the magnitude of the possibilities of evil for Russia is understood, a complete “landslip” of Russian securities, dragging others after them, appears not at all improbable.

The Economics of the War.—The war is one in which the strategical advantages are obviously on the side of Japan, which has command of the sea, while the country in the neighbourhood, which is of wide extent, is occupied apparently by about 200,000 Russian troops as compared with twice that number which the Japanese have immediately available. As Russia may be attacked at points many hundreds of miles apart, while its communications by single lines of railway are of enormous length, Port Arthur being 600 miles from Kharbin, the Russian centre in Manchuria, and Vladivostok 400 miles from the same centre, while Kharbin itself is some 1,200 miles from Lake Baikal, the real immediate

base of operations in the rear, it is easy to see that a strong military power like Japan must be able in such circumstances to force its enemy to retreat and concentrate. But what is not so generally understood is the economic strength of Japan, compared with Russia, in view of a long-continued war. Japan, then, it must be recollected, is a country of 46 millions of people, capable of manufacturing largely for itself, and especially having ship-building yards, docks, and factories of its own, and carrying on a very large foreign commerce, which is practically uninterrupted by the enemy. Such a Power is as able to maintain troops in the field as any European Power of similar population, when the contest is near home, especially as the maintenance of the troops will be proportioned to a more moderate scale of living than Europeans possess. If a European State of 46 millions can keep 400,000 troops in the field for a long period, then Japan can do so too. Russia, of course, can oppose twice, and more than twice, the Japanese numbers of 46 millions. But Russia has many frontiers and many calls on its energies, and it seems doubtful whether it can spare against so distant an enemy as Japan any larger force than Japan itself can spare, or even so large a force. Apart, then, from the strategical disadvantages of Russia, its power to wear out its puny antagonist, as Japan is sometimes called, is not so obvious. It is Russia itself that may be worn out. As the war progresses, therefore, it is quite possible that investors in Russian securities may be forced to recognise the profoundness of the gulf into which their money is being thrown and may take fright. Russia could not possibly be engaged in a more dangerous contest.

The Danger of Revolution.—In these circumstances it seems not unfit to suggest that the danger of political revolution in Russia itself has become one of the threatening factors in the economic condition of Europe as a whole. A great political collapse in Russia would obviously bring many dangers with it, and add to the general unrest which paralyses European business.

Budget Prospects.—Meanwhile our budget position at home, with our extensive war preparations, is by no means very comfortable. Army and Navy estimates together for 1904-5 amount to nearly £70 millions, apart from capital expenditure on new works which ought to be included, and apart from expenditure

on such ventures as the Somaliland expedition, which appear invariably to mount up a great deal. With such estimates the Budget total seems likely to again exceed £140 millions, while the revenue is declining as compared with last year's estimate, so that the accounts of the current year appear likely to close with a deficit instead of a surplus. Instead of a reduction of taxation, therefore, there is again talk of a possible increase. Two years, then, after the close of the war, we are still having war finance! This has been not altogether unexpected in some quarters in the City, but the facts should give pause to a good deal of the discussion that sometimes goes on about Government expenditure. Surely the House of Commons can do something better than indulge in continual groanings over the largeness of the totals and elicit somedistinct statements from Government as to the specific objects of Army and Navy, and the necessities for the men, ships and guns required, with all the incidental equipment.

The Corner in Cotton.—The cotton trade has had a special excitement to itself, in consequence of a renewed corner in cotton, owing to the failure of the American crop, in spite of its magnitude, to meet all the demands upon it. As the result raw cotton is permanently at a much higher price than it was a few years ago, and the cotton manufacturers suffer accordingly, especially with the demands from consumers all over the world rather weakening as the result of the general dulness in trade. Just as the cotton manufacturer is ideally prosperous when there is a brisk demand for as much as he can spin and weave on the one side, and a full supply of the raw material, so that he can obtain it at a low price, on the other side, so he is ideally unprosperous when the raw material is so scarce that the different factories have to fight for it, and the demand for the manufactured article is so weak that it cannot be sold to advantage. The latter is the present position in the cotton trade, and the prospect is not at all cheerful. An agitation has sprung up, in consequence, to develop new places for cotton-growing so as to diminish the dependence of the market on the American supply; but it may be doubted whether there is *any* remedy for this particular disease in cotton-manufacturing as in all other kinds of manufacturing. Any one who reads Tooke's "History of Prices" must be impressed by his demonstration that high prices of raw material lead to an extension of cultivation and an excessive supply, while low prices lead to a contraction of cultivation ending in a short supply, so

that there is a continual see-saw. In the nature of things, therefore, as the demand for consumption of the finished articles itself oscillates, there cannot always be a fitting supply of raw material for the manufacturers, but there will sometimes be too little and sometimes too much, however varied the sources of supply may themselves become. Of course to increase and vary the sources of supply is a good thing for other reasons, but it will not cure the disease which has been the cause of the present agitation.

R. G.

LABOUR NOTES.

BAD weather, sun-spots, the abnormal conditions prevailing in the cotton trade, the uncertainty of the political outlook in the Near East, and a slow recovery, amounting almost to stagnation, in the Transvaal are among the causes that are combining to prolong and intensify the period of depression through which the country is going. The fiscal controversy does not make for that spirit of confidence which, perhaps more than anything else, must precede recovery, while the bursting of the war-cloud in the Far East, although it has removed elements of uncertainty in the outlook, must intensify the difficulties of the situation. It is not surprising, therefore, that worse conditions in the labour market have to be reported now than in November, or that the *Labour Gazette* curve of unemployment has risen from 5·8 per cent. since the end of October to 6·6 at the end of January. The single group of trades that affects this percentage figure more than any other continues to be that of ship-building, in which no fewer than 14·4 per cent. are returned as unemployed.

IN such a trade as that just mentioned, however, great fluctuations are normal, and at almost any moment the temptation of low contract prices, or the inducement of greater earning power through a rise in freights, may bring orders in and alter the whole condition of the trade. In the serious state of affairs ruling in the cotton trade there is a more serious, because a more fundamental, cause of difficulty, and until the supply of the raw material be increased and freed from the manipulation of a ring (the two changes will probably have to go together), it is difficult to see how satisfactory conditions can again prevail. It is on

this account that such exceptional importance attaches to the efforts of the British Cotton Growing Association, efforts about which it is satisfactory to see that the organisations of the wage-earners are almost as keen as are the employers, and to support which they are contributing large funds. Meanwhile, in consequence of the continued high price of the American raw material, and in the hope of weakening the position of holders and thus of bringing prices down, many mills, both in this and in some other countries, are working short time.

A DEMAND for a reduction in wages of engineers, boiler-makers, and iron shipwrights that employers in the north-east coast had formulated, and that had been under discussion for some time, has been officially withdrawn, the demand being postponed for six months. This decision is not unlikely to be connected with the Russo-Japanese war, and with the stimulus to demand that this contest may give. It points, at least, to the expectation of a local revival in the above industries.

A CLAIM for a reduction of wages of five per cent., and a counter claim for an advance of two and a half per cent, put forward by the colliery owners and miners respectively in South Wales, is under the consideration of the local Conciliation Board—a body that has just suffered a serious loss by the resignation of Lord Peel of the important post of independent chairman.

LORD JAMES OF HEREFORD is also finding it necessary to give up the corresponding office on the Conciliation Board of the Federated Mining Districts, a resignation that is a set-off against the otherwise entirely satisfactory arrangement that has just been come to that the Board is to be re-constituted for a period of three years from January 1, 1904. The maximum of 60 per cent. above and the minimum of 35 per cent. above the 1888 standard are to be the limits of variation during the life of the Board, with the important additional undertaking that no alteration in wages is to exceed 5 per cent. at any one time.

The result of the important action brought by the Denaby and Cadeby mine-owners against the Yorkshire Miners' Federation has given further legal proof of the corporate responsibility of trade unions for the action of their recognised agents, even

when these do not act under the explicit sanction of a central executive body. All counts of the indictment have been decided in favour of the plaintiff company, but the question of damages has not yet (Feb. 26) been fixed. The large sum of £150,000 is claimed.

A sequel to this case, not as a direct but evidently as an indirect consequence of the anxiety caused by the trial, has been the death of Mr. Benjamin Pickard, M.P., the protagonist of the organised miners, the founder and leading spirit of the Miners' Federation, and one of the strongest of the trade union leaders of the country.

THE comparative absence of trade disputes that has been mentioned in these notes on more than one occasion as being characteristic of recent conditions is brought out in a striking way by some recent returns by the Board of Trade for 1903. It is pointed out in these that there has been greater freedom from industrial dispute during last year than in any of the previous ten years, and that the aggregate duration of disputes during that year, 2,316,792 days, amounted to more than six million days less than the average for the whole decade. The total number of disputes for 1903, 320, was less than half the average for the ten years, and the total number of workpeople affected, 113,873, was about two-fifths of the average. Coal-mining was the most disturbed field of employment, it alone accounting for about half the time lost through disputes during the whole twelve months, the next most disturbed group being metal, engineering and shipbuilding. It is perhaps noteworthy that something less than a sixth of the total numbers affected by the disputes were connected with any questions of trade union organisation, while questions of the hours of labour were an almost negligible source of disturbance. By far the most important cause was, as usual, the question of remuneration, this alone accounting for something more than one-half of the total numbers affected, and for about three-fifths of the total number of disputes.

JUST as coal-mining was the most disturbed field of employment during the year, so also was it that in which the greatest change in wages took place, a considerable further decline on the fall of the two preceding years being recorded. The decrease for 1903 was, however, much smaller than that for the two years, 1901-2, when it was equivalent to a drop of about £65,000 per

week, or about double that of 1903. The only other trades in which there was any appreciable change in wages during this year were engineering and shipbuilding, in which the weekly drop was equivalent to something over £4,000 per week. The net decrease in all other trades, as shown in the returns, amounted to only about £1,500 per week.

IN London, among other places, the question of the unemployed has, as was anticipated in the last series of these notes, attracted a good deal of attention. The Mansion House Committee of the unemployed has been revived and considerable interest has attached to the scheme that, largely on the initiative of the Bishop of Stepney, it has adopted. By this scheme only men with established homes in London have been helped, and no attraction has thus been offered to fluid provincial labour. The men selected have been sent to work on colonies outside the metropolis, where they have been fed and housed. Their earnings have been paid direct to their wives in London; and, on satisfactory behaviour, leave to visit their homes has been granted to the men at certain intervals. The restrictions of the "colonies," the difficulty, for instance, put in the way of getting alcoholic drink, has proved too much for the men in a certain number of cases and they have thrown up their work, but on the whole the scheme seems to have worked well, and a full report upon it will be looked forward to with a good deal of interest. Probably the chief criticism that can be advanced against it is that it has been able to take action in such a small number of cases.

FAILURE of that description, however, if indeed it be failure, is almost inevitable if selection is to be made with care; and careful administration in these matters never winning popularity when considerable numbers are asking for employment, it was almost inevitable that competing schemes should be started. The most important of these have been the relief works, principally road-mending, organised under municipal control in several of the Boroughs. The results of these have been less satisfactory than the Mansion House experiment, but it must be remembered that a lower class of worker was being dealt with and catered for. Moreover, comparative failure was almost certain, since, the amount of earnings necessary to mere subsistence being so small, it is impossible to fix upon a wage that any public authority can

decently select that will be small enough to avoid attracting representatives of that large class which is always ready to do occasional but never continuous work.

IN the absence of adequate machinery for selecting the men for whom work is to be found and for superintending their work—two tasks of exceptional difficulty in what must be assumed to be hard times—it has often been a matter of surprise that resort is not more often had to the automatic check that would be supplied by offering work at some distance from where the men are sleeping. If Mile End, for instance, offers work of this semi-municipal character, and the men are sent to work on Mile End streets or in a Mile End yard, all that they have to do is to stroll, it may be, half a mile to their job. They may or may not have made any attempt to find ordinary employment, and the test does little or nothing to weed them out from the listless mass. But if Mile End could co-operate with, let us say, Fulham, and Poplar with Chelsea, and they mended each other's roads, an automatic check against abuse would be at once introduced if men had to walk four or five miles to their work, for it would be easy to devise some plan by which a temporary change of address could be guarded against. Such a proposal would, of course, be but a *pis aller*, but a crudeness of check may be sanctioned, if the only alternative, as is so often the case, is no check at all. If considered desirable, for those who met the test for a certain period of time, say, for a week or a fortnight, other arrangements could be made, and they could be released from the penalty of the daily trudge.

ALL employment, however, thus provided on what is in essence an artificial basis, is unsatisfactory, very much as is the proposal to introduce indentured Chinese labour into the Transvaal. Both are temporary expedients, the one creating a demand for labour, and the other a supply, that can be justified only by temporary exigencies. In connection with the proposed experiment in the Transvaal, its temporary character is, it appears, often overlooked by those who condemn it, for it is as an aid in redressing a difficult situation, rather than as a permanent solution, that it has to be regarded. Even as such, however, it is clear that there is a widespread feeling against it, not only in the "white" colonies, but among the working-classes in this country, although it is not clear whether objections are chiefly based on moral or on economic

grounds. As regards the former, there is no reason to think that those responsible for administration in the Transvaal will be less far-sighted or less careful than are those at home, and as regards the latter, the economic demand for additional unskilled labour seems to have been abundantly proved. It does not follow, however, that the permission to introduce Chinese labour will secure it in any great quantity, but the possible effect of the introduction of even a small amount on the reserve of unused or partly used local labour has been very generally overlooked in home discussions of the problem. The opinion of the Board of Trade Commissioner in South Africa that "the appearance of yellow labour on the fields will stimulate existing sources of supply in Africa" may after all point to the real solution of the problem: from the very fact that the Chinaman is allowed to come he may not be wanted, or, if wanted, only for a very short time.

THE annual conference of the National Labour Representation Committee, held in February, has been attended by about 360 delegates from various parts of the country. A membership of nearly one million is now claimed, as compared with 375,000 in 1901—a striking advance. Trade Unionists and branches of the Independent Labour Party continue to furnish the great bulk of the members, the Fabian Society, which is represented, standing for a comparatively small constituency and only a single branch of a co-operative society having joined. The principle of political independence of the other parties in the country is being adhered to, and some of the more strenuous supporters of this platform are unable to give any countenance to those who find it somewhat narrow, insecure and ineffective. Mr. R. Bell, M.P., appears to be the individual who is most bitterly attacked for what is accounted disloyalty to the labour cause, although his attitude is, with few exceptions, very much that of the whole labour bench of the House of Commons. Doubtless, Mr. Bell's position as a prominent member of the Labour Representation Committee marks him out for special criticism, although his main offence has been that he has from time to time supported Liberal or Conservative parliamentary candidates. It is noteworthy that a motion for the removal of his name from the list of recognised candidates, of which notice had been given at the Conference, was not proceeded with, his public action being instead referred for consideration to the executive of his own trade society—the Amalgamated Society of Railway Servants.

By this body, as by his own constituency, Mr. Bell appears to be supported, and the attitude of the more intolerant and exclusive section of his critics will perhaps receive some check. However great the issues at stake, the uncompromising solidarity of minor sections does not seem to be the most appropriate aim for the members of a great national body like the House of Commons to accept, and to the outsider it is not easy to see why the terms of an effective independence both in the House and in the country should not be compatible with what would perhaps be found to be the still more effective instrument of large and generous judgments.

A NEW labour paper, with the title of the *Weekly Tribune* and under the direction of Mr. R. Bell, M.P., and Mr. Edmond Browne, has just been started under promising auspices. "On the Labour question" the policy of the paper is announced as that of helping "to restore the legal position of the Trade Unions to that they occupied previous to the Taff Vale decision, and generally to promote the welfare of the working classes." To do this effectively the editors state their intention of being "guided by the authority of the Trades Union Congress and its Parliamentary Committee." "On the great economic question of the time" the *Weekly Tribune* is to "stand emphatically for Free Trade."

ERNEST AVES

CURRENT TOPICS

MR. CHAMBERLAIN'S series of stirring speeches was concluded at the Guildhall, January 19. The Duke of Devonshire followed on February 8.

Apropos of the Merchants' Petition of 1800, to which the Duke referred, it may be interesting to reproduce part of the parallel, not so well known, petition of the Edinburgh Chamber of Commerce and Manufactures, dated April 20, 1820. It appears to the petitioners "that the exportation of the produce of our manufactures, agriculture, fisheries and mines can in no other shape be realised, or made effective to the increase of the National Wealth, but in the form of imports . . . that the sure way to

increase foreign commerce is to encourage the industry of other nations with whom we trade, or in other words to enable them to become our customers that whatever may be the perseverance of other nations in this system [of restrictive commerce], the British Government should begin a more liberal and wise commercial policy without regard to reciprocity of benefit between us and any particular nation, because, by encouraging an increased import from one nation, we are certain of gaining an increased export directly to that nation, or intermediately to some other nation."

MR. SAUERBECK'S annual statement of index numbers (published in the *Times*, January 16, 1904) shows for 1903 compared with 1867-77 exactly the same number as for 1902, viz., 69. This result is in accordance with the Board of Trade Index Number (published in the *Labour Gazette* for February, 1904), 78·8 for 1902 compared with 1871; the corresponding number for 1901 being 78·6. The fluctuations in the level of prices during the last few years as shown by the two Index Numbers are parallel.

		1897.	1898.	1899.	1900.	1901.	1902.	1903
Board of Trade	...	71·3	73·6	74·5	83·2	79·2	78·8	78·6
Sauerbeck...	...	62	64	68	75	70	69	69

The Board of Trade Index Number, it will be recollected, is based on 45 articles, mostly akin to, but not all identical with, the articles employed by Mr. Sauerbeck. The fact that the constituent prices are *weighted* in accordance with the importance of the respective articles is calculated to increase our confidence in the Board of Trade Index Number.

A PARAGRAPH in the *Times* of January 14, 1904, records the sale in London of a single postage stamp of face value twopence, for no less a sum than £1,450. We understand that on the first discovery of this curiosity a few months before, there had been made private offers of £6, £24, £1,000, £1,200. At the public auction the bids began at £500 and rose by hundreds and fifties to £1,450. The *London Philatelist* describes this as to its certain knowledge the highest price ever paid for a single postage stamp. The value is not due entirely to scarcity; there are four or five such stamps in this country, and one or two more on the Continent. The value is doubtless partly due to the historical

interest of the first Colonial issue. It was engraved (rudely enough) in the island of Mauritius in 1847. The entire issue disappeared from notice till some specimens cropped up in Bordeaux in 1865. The present specimen must have come to this country about two years earlier. The value may be partly due to the peculiar inscription "Post Office," replaced afterwards by "Post Paid." So viewed, the price may be matched with the fancy prices given for Breeches Bibles and Wicked Bibles, rather than for the Great Auk's Egg, or First Folio, or Stradivari. Allowing for the uncertainties of the auction room, which are as varied as those of the battlefield, the fact remains that there are many people in this distressed country eager to pay over a thousand pounds for a mere curiosity.

THE Sociological Society founded in 1903 "seeks to promote and guide investigation and to advance education in social science in its various aspects and applications." The publication of a Journal is contemplated. The Executive Committee and the General Committee includes many names distinguished in the social sciences. The subscription is a guinea.

THE British Association will meet this year at Cambridge, August 17. Professor W. Smart, of the University of Glasgow, will preside over Section F. Mr. E. W. Brabrook, Professor H. S. Foxwell, and Professor A. Marshall are Vice-Presidents. The secretaries are Mr. A. L. Bowley (Recorder), Professor S. J. Chapman, Dr. B. W. Ginsburg, and Mr. J. E. Bidwell.

RECENT PERIODICALS AND NEW BOOKS.

Journal of the Statistical Society.

December, 1903.

Presidential Address. Major P. CRAIGIE. *The Metrical System of Weights and Measures.* ALEX. SIEMENS. *The Growth of Rates.* B. GINSBURG.

The Economic Review.

The American Trust. J. A. HOBSON. *Is Free Trade a Fallacy?* R. E. MACNAGHTEN.

The Failure of Free Traders. Rev. W. CUNNINGHAM. A change in our fiscal system is recommended in the interest of our manufactures "to preserve to us the means of purchasing food and materials." It seems to the writer "highly probable that a 5s. tax on corn imported from countries like the United States, which impose high duties on our manufactures, might not have any considerable effect on the price of food here, but might still suffice to break down the hostile American tariffs." "So soon as this object was accomplished the retaliatory duties . . . should be withdrawn."

The Belgian Labour Colonies. H. J. TORR.

The Nineteenth Century.

December, 1903.

The Foreign Fruit Trade in Great Britain. SAMPSON MORGAN. *The "Woman who Toils" in America.* Mrs. FREDERICK HARRISON. [The conditions of factory-life in South Carolina and elsewhere are shocking.]

January, 1904.

Ineffectual Preferences. Sir ROBERT GIFFEN. [The proposed preferences are too small to be effectual; if increased, would be too costly. "The urgent business of an agreement with our Colonies

respecting commercial negotiations" with foreign countries has been lost sight of.] *The Larger Basis of Colonial Preference.* BENJAMIN KIDD.

The Fortnightly Review.

December, 1903.

The Myth of the Big and Little Loaf. W. H. MALLOCK. A sixteen-shilling duty on foreign corn with a preferential duty of fourteen on Colonial would raise the bread bill by ninepence-halfpenny per head per month. Would this poll tax be too much to pay for the restoration of British agriculture?

January, 1904.

Occupation as a Test of Prosperity. J. H. SCHOOLING. The decrease of 818,000 persons, taking account of growth of population, in agriculture, and seven important manufactures against an increase of 380,000 in coal-mining, building, tailoring, &c., is disquieting.

The Known and Unknown in Mr. Chamberlain's Policy. A. C. FIGOU. The incidence of a differential tax on foreign wheat and other difficult subjects are powerfully handled.

February.

The Protectionist idea of Foreign Trade. W. M. LIGHTBODY.

Contemporary Review.

December, 1903.

The Growth of German Exports. E. BERNSTEIN. The greatest items of export—coals, cotton goods, woollen goods, machines, are either not protected, or are damaged by protected duties.

January, 1904.

The Taxation of Foreign Investments. F. W. PETTRICK-LAURENCE. An addition of 6d. in the £ tax on incomes derived from foreign investments would give an impartial preference to the Colonies and encourage British industry.

Physical Deterioration and the Poverty-Line. MRS. BOSANQUET.

February.

Free Trade New South Wales and Protected Victoria. C. H. CHOMLEY. [A pointed contrast.] *The Mystery of Dumping.* [J. A. HOBSON.] *Mr. Charles Booth's Proposals for Fiscal Reform.* B. RUSSELL. [A damaging criticism of the article in the January number of the National Review.]

National Review.

January, 1904.

Fiscal Reform. C. BOOTH. Undeterred by the Free Trade picture of Protection as "a scheme under which every one expects to secure an advantage at the expense of every one else, to assist him in doing something which presumably others could do better," Mr. Booth recommends a uniform preference of 5 per cent. to "all inter-imperial trade transactions without exceptions." "The minimum of 5 per cent. would represent the best terms we could offer to any foreign nation." . . . "10 per cent. to be levied in the absence of any treaty."

"A small duty may encourage the production of a taxed article in some quarters without equally discouraging it in others, and by thus increasing competition, may tend to lower prices." "Apart from all questions as to level of price the certainty of having in perpetuity some advantage over competitors goes far in setting enterprise in motion." "The cost to the consumer might very probably not exceed the amount the revenue would gain from the small tax laid on all foreign imports." "The national earnings would benefit to an extent far exceeding the enhancement of domestic expenditure."

The Independent Review.

December, 1903.

Protection and Shipbuilding. J. M. DENNY. An increase in the cost of production is to be apprehended.

January, 1904.

Protection and the Wool Trade. J. H. CLAPHAM. A decrease in the numbers in the wool trades is not alarming. The increased export of "noils," "tops," &c., compensate the decrease for finished goods. A tariff war with Germany would endanger our large export trade in yarn.

The Monthly Review.

December, 1903.

The Daughters of the House. W. P. REEVES.

January, 1904.

Foreign Trade and the Money Market. F. SCHUSTER. The increase in excess of imports may be partly due to our turning from Colonial and foreign to home investments and to Americans repurchasing their investments here. "The inconsistent remedies for unproved evils would impair our supremacy in the money market."

The Journal of the Bankers' Institute for February, 1904, contains a paper read by Mr. Schuster, of which the substance is given in the *Monthly Review* for January. In the discussion of the paper Sir Robert Giffen, Mr. A. S. Harvey, Mr. Huth Jackson, and others took part. Professor Marshall spoke of the increasing need which British business has of freedom from restriction. It might have been expected that employment and wages would grow very much faster in Germany than in England. But the statistics recently published by the Board of Trade show that money wages in Germany have risen only about as fast as those in England, and remain a very long way indeed below the English level. Real wages in Germany have fallen relatively to those in England. For this failure of the German people to reap the full benefit of their industrial advantages there appear to be only two causes. The first is the high German tariff, and the second is the system of German Cartels, which, though not created by the tariff, is fostered by it. Import duties of food cause the law of diminished returns to press with premature weight on the German people. "Now that England's population is so large relatively to her own supplies of raw produce, while her iron mines are failing her, is she not right in importing freely half-made products which contain great quantities of those raw materials in which she is deficient, and in concentrating her chief energies on finer and more complex products?" For success in this direction free access to cheap materials is essential. . . . He was not arguing against "our deliberately incurring pecuniary burdens for the sake of the federation of the Empire"; while he believed that "our true ideal is to be found not in little Anglo-Saxondom but in great Anglo-Saxondom."

The Scottish Historical Review for January, 1904, contains a paper by Professor W. R. Scott, on the "Fiscal Policy of Scotland before the Union." It is not true that the fiscal union promoted political union; nor that Scotland was starved and coerced into fiscal union. The protection of infant industries failed in Scotland.

The Quarterly Journal of Economics (Boston).

February, 1904.

The Theory of Distribution. F. Y. EDGEWORTH. [The substance of some lectures delivered at Harvard University in 1902.] *The Ricardian Theory of Gold Movements and Professor Laughlin's Views of Money.* A. C. WHITAKER. [The quantity theory is the only explanation of the facts of the international movement of gold.] *The Fund at Boston in New England.* A. MCFARLAND DAVIS. [The title is that of a concern founded in 1681 to furnish credits similar to Bank Credits. It seems to have had neither capital nor deposits.] *The Massachusetts Business Corporation Law.* GROSVENOR CALKINS. *The Variation of Productive Forces.* A. W. FLUX. [Further Comments on Professor Bullock's article in the *Quarterly Journal* of 1902.]

Political Science Quarterly (New York).

The Sugar Question in Austria. FRANCIS WALKER. *Monopoly and the Struggles of Classes.* J. B. CLARK.

The Journal of Political Economy (Chicago).

December, 1903.

Adjustment of Street-Car Men's Wages in San Francisco. CARL PLEHN. *Relative Importance of our Foreign Trade.* LANGWORTHY TAYLOR. *American and European High-Speed Trains.* G. S. TUNELL. *Reasonable Rates.* ALTON D. ADAMS.

American Academy of Political Science (Philadelphia).

November, 1903.

Fire Insurance Rates and Methods. WALTER C. BETTS. *Trades Unionism.* A. OUTER-BRIDGE. *Labour System of the John B. Stetson Co.* A. T. FREEMAN. *Present Day Jobbing.* J. H. RITTER. *Importance of Cost-keeping to the Manufacturer.* C. M. LAUER.

December.

Reciprocity in American Tariff System. J. B. OSBORNE. *The Present Foreign Trade of the United Kingdom.* SOLOMON HUEBNER. *Mr. Chamberlain's Fiscal Policy.* B. H. MEYER.

January, 1904.

The Tariff and Export Trade of the United States. S. N. D. NORTH. *Tariff Relations of the United States and the Philippine Islands.* CARL PLEHN. *Protection, Expansion, and International Competition.* LANGWORTHY TAYLOR. *Industrial Causes Affecting American Commercial Policy.* J. E. CONNER.

Journal des Économistes (Paris).

December, 1903.

L'évolution du Protectionniste. G. DE MOLINARI. *Les chemins de fer aux États Unis.* A. RAFFALOVICH. *Mouvement scientifique et industriel.* D. BELLET.

January, 1904.

1903. G. DE MOLINARI. *Le Marché financier en 1903.* A. RAFFALOVICH. *Le Mouvement colonial en 1903.* D. BELLET. *Revue des principales publications économiques de l'étranger.* E. MACQUART. *Les taux de mortalité en matière d'assurance sur la vie.* E. ROCHETIN.

February.

L'impôt dans les villes allemandes à la fin du moyen âge. E. CASTELOT.
Revue des principales publications économiques en langue française.
 M. ROUXEL. *La fabrique et l'ouvrier de fabrique en Russie.* L. ZABLONDOWSKI. *Agriculture et libre-échange dans le Royaume Uni.* E. MACQUART. *Le socialisme municipal en Italie.* D. BELLET.
Les finances du Japon. L. E. A. MILLET. *Lettre des États-Unis.*
 G. N. TRICOCHÉ. *Féminisme.* l'Amiral Réveillère.

Revue d'Économie Politique (Paris).

November, 1903.

La question de banques d'émission en Suisse. LANDMANN. *Un nouveau livre d'Antoine Menger.* C. H. RIST. *La notion de l'État* (suite et fin).

January, 1904.

La question des banques d'émission en Suisse (suite). LANDMANN.
L'industrie du Charbon en Belgique. L. DECHESNE. *Les transformations économiques.* [Referring to Sombart's *Der Moderne Kapitalismus*.] *Les idées économiques d'Aristophanes.* R. GONNARD.
 The illustration of "Gresham's Law" in the *Frogs*, Dicaeopolis' complaint that he had to buy in Athens so many things which he produced in the country (*Acharnians*), and other illustrative passages are cited.

Le Musée Social for January, 1904, under the head of Garden Cities, describes Port Sunlight, where the employees of Messrs. Lever Brothers are settled.

De Economist (La Hague) for December, 1903, has an article by M. G. M. Boissevain on the limping standard. In the January number Mr. N. G. Pierson writes on Socialists and Anti-Socialists—between whom the essential difference is constituted by their attitude towards poverty—Mr. De Beaufort, on the consular system. In the February number M. D'Aulnis de Bourouill writes on the dangers of Trusts and Kartels; showing that Protection is no remedy for "dumping."

Jahrbücher für Nationalökonomie (Jena).

November, 1903.

Zur Kritik der politischen Oekonomie. FRANZ BLEI.
Lehre im Produktionsfaktoren Natur und Kapital. R. V. DER BORCHT.
 No. 53.—VOL. XIV. M.

December.

Die lage der englischen Landwirtschaft. A. LEVY.

January, 1904.

Grenznutzentheorie und Grenzwertlehre. W. SCHARLING.

Giornale degli Economisti (Rome).

November, 1903.

La Società di Terni. E. GIRETTI. *Il secondo volume dei Systèmes Socialistes.* F. PAPAFAVA. *Imperialismo, Protezionismo e liberismo in Inghilterra.* D. [The Balfour-Chamberlain policy is denounced.] *Polemica d' un Protezionista Tranquillo.* A. DE VITI DE MARCO. *A free-trader's reply to the Hon. Colajanni.*

December.

La scienza economica col i problemi sociali del nostro tempo. ACHILLE LORIE. *La questione finanziaria della capitale.* E. BRANZOLI-ZAPP. *Osservazioni sui sindacati et sulle legge.* M. PANTALEONI.

January, 1904.

Gli aspetti arbitrari dell' interpolazione delle serie statistiche. R. BENINI. *Herbert Spencer.* WILLIAM JAMES and GUIDO VILLA. *Imperialismo Protezionismo e liberismo in Inghilterra.* D. *Statistica delle Società Cooperative.* G. MONTEMARTINI.

February.

Errate interpretazioni dell' ordine economico. E. COSSA. [An inaugural lecture at Messina.] *Le comparazioni nelle statistiche del commercio internazionale.* F. COLETTI. *L'emigrazioni italiane in Francia.* L. MARCHETTI. *Colonizzazione libera e colonizzazione protetta.* G. MONTEMARTINI. *Protezionismo . . . in Inghilterra.* D. *Problemi intorno alla disoccupazione.* U. BROGGI.

NEW BOOKS.

BOWLEY (A. L.). Statistical Studies relating to National Progress in Wealth and Trade since 1882. A plea for further inquiries. London: P. S. King. 1904. Pp. 88. 2s.

BRASSEY (Lord). Fifty Years of Progress and the New Fiscal Policy. London: Longmans. 1904. Pp. 109.

BUCKLE (HENRY THOMAS). Introduction to the History of Civilisation in England. New edition by J. M. Robertson. London: Routledge. 1904. Pp. 915.

[The bulk of the work is diminished by the use of very small print, while the value is enhanced by some additional notes.]

BURGES (E.). Perils to English Trade and how to avert them. Third edition. London: Sonnenschein. Pp. xvi + 270.

BUXTON (SYDNEY). The Arguments on either side of the Fiscal Question. (Extracted from the last edition of Mr. Buxton's Handbook to Political Questions.) London: Murray. 1904. Pp. 82. 1s.

CUNNINGHAM (W.). The Growth of English Industry and Commerce in Modern Times. Part I. Mercantilism. Part II. Laissez Faire. Cambridge: University Press. 1903. 8vo. Pp. 1039. 25s.

[Enlarged and recast.]

FARRER (Lord). Free Trade *versus* Fair Trade. New edition (brought up to date). London: Free Trade Union. 5s.

Fact *versus* Fiction. The Cobden Club's Reply to Mr. Chamberlain. London: Cassell. 1904. Pp. 114.

[Prepared by a Committee, including Mr. Shaw-Lefevre, Lord Welby, Mr. Fletcher Moulton, Mr. F. W. Hirst, and others. The reply to Mr. Chamberlain's speeches purports to show that "the frequent historical references are wholly unreliable; that when authorities . . . are quoted opinions the very opposite of what they held are attributed to them; that the statistics are grouped together in an unfair and unscientific manner; and that illustrations drawn from particular trades are ill-founded or exaggerated."]

DICKSEE (L. R.). Advanced Accounting, with an Appendix on the Law relating to Accounting by E. G. Montmorency. London: Gee. 1903. 8vo. Pp. 399.

FLUX (Prof. A. W.). Economic Principles. An Introductory Study. London: Methuen. 1904. Pp. xx + 324. 7s. 6d.

FREDERIKSEN (N. C.). Finland, its Public and Private Economy. London: E. Arnold; New York: Longmans, Green and Co. 1902. 8vo. Pp. 306.

GASKELL (T. P.). Free Trade a Failure from the First. London: Macmillan. Pp. 91. 2s.

GRAHAM (Prof. W.). Free Trade and the Empire. London: Kegan Paul. 1904. Pp. 121. 1s.

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RECENT FINANCIAL MOVEMENTS IN THE UNITED STATES.

THE financial and industrial movements in the United States during the past eight years have represented a rapid transition from a comparatively small export trade to a very great one, and represented also a transition from a scale of comparatively low nominal values of invested capital to high nominal values.

Industries protected during these years by the tariff, were undoubtedly competing with each other with a vigour which may be said to have amounted to ferocity. The inevitable consequence of this state of matters was a series of combinations of competing interests alike in railways and in manufactures. These combinations were effected by dexterous, though often unscrupulous, financing, involving estimates of the value of the combined businesses which in many cases have been shown in the Law Courts to have been greatly exaggerated.¹

The conspicuous feature of this movement was the practice of anticipating the future. Estimates of future profits of the new combinations were based upon or even above the high-water mark of the past profits of the constituent companies. The new combinations were thus capitalised, not on the known basis of the actual investment, but on the hypothetical basis of future earnings. When a combination took place as much capital as possible was raised by means of bonds and debentures on the security of the property. These securities probably represented at least three-fourths of the value of the tangible assets. The remaining fourth or more was usually represented by Preference stock. The whole of the Common stock was issued in anticipation of future earnings, a sanguine estimate regarding these as being likely to be more than sufficient to provide for interest on the bonds and the fixed dividend on the Preference stock. The Common stock generally amounted to as much more

¹ As in the case of the United States Shipbuilding Company.

and frequently to two or three times as much more as the total estimated value of the tangible property.¹

It may even be, that excepting for the purposes of the prospectus, the intention in effecting the combination is not to produce economies of management, but to induce a sanguine estimate of future profits in order that that estimate may as speedily as possible be discounted. If they succeed in selling their stock on favourable terms, the vendors and the promoters pocket their profits, and the new shareholders find themselves saddled with an unwieldy business at a price high when judged by any reasonable estimate of the future. This has been the history of many of the combinations, even of some of those whose affairs have not yet been disclosed in the Bankruptcy Courts.

The promoting syndicate may be able to induce the shareholders of the constituent companies to accept the whole of the purchase price in bonds and stocks of one kind or another; but the more usual case is for the purchase price to be paid partly in bonds and partly in cash. To obtain this cash and to obtain working capital for the new combination it is indispensable that the stock be sold. The promoting syndicate may bring the stock before the public directly, or it may sell the stock outright to an underwriting syndicate, or the stock may be floated on commission. In any case the operation involves the payment of high fees for agency. When the stock is underwritten, the underwriters obtain it at a relatively low price on the understanding that they will take the stock out of the hands of the promoting syndicate whether they are able to sell it to the public or not. In consideration of their taking the Preference stock, which is a more or less risky investment, the underwriters receive, by way of bonus, Common stock for which no cash is paid. As soon as may be the underwriters get rid of both classes of stock, often giving away to investors in the Preference stock a proportion of Common stock as bonus.

When the market is not overcrowded with such schemes, and

¹ This process of artificial inflation is popularly known as "stock watering." It does not necessarily imply dishonest motives. The question is wholly one of the validity of the estimates of the future. The widely diffused spirit of gambling has given the practice an importance which it would not otherwise possess. When the gamblers have suffered and new innocents are no longer drawn in to be floored, the watered stock finds its appropriate level. Even a high rate of dividend does not then suffice to blind the investor made wise by experience. Witness the case of the U.S. Steel Common stock, which was held for months at 40 and which now stands at 11. Stock watering is, of course, not unknown in Great Britain, and much of the description of the practice as followed in the United States applies also to company flotation in London.

when funds have been accumulating in the hands of Banks and Trust Companies, money is plentiful and investors can be found to take the stock on attractive terms; but when the market is filled with such enterprises, it becomes more and more difficult to get any cash for the stock. In order to carry on such a business, underwriting syndicates must control large funds, for the Banks, excepting through evasion of the law, cannot lend more than a certain amount to any one person. The result of this provision is that when the usual expedients have been exhausted, and all the money that can be obtained under various names from various Banks in the various financial centres has been secured, if more is required it must be obtained from abroad.

The great extent of these combining operations conducted by Messrs. Morgan & Company and others, exhausted the market in the United States under the conditions indicated, and these firms were obliged to look to the European money market for funds to enable them to implement their underwriting contracts, or, as in some cases, to enable them to earn the commission upon loans that they undertook to negotiate if practicable.

Since most of these combinations were effected through Messrs. J. Pierpont Morgan & Company, their name has been extensively used in Europe for the purpose of establishing the enormous credits which are necessary. Although it is practically impossible to trace such movements in any but a rough and ready way, it seems likely that the heavy selling by Europe to America of American securities at the high prices which prevailed in 1900 and 1901 rendered it easy for the time being to manipulate the large European loans negotiated by the American financiers, without at that time materially disturbing the rate of exchange.¹

¹ The movements of gold, however, between Europe and the United States suggest a sudden disturbance of great magnitude.

					Gold coin and bullion.	
					Excess of exports in millions of dollars.	Excess of imports in millions of dollars.
1895	..	...	...	...	80	—
1896	...	...	...	...	78·8	—
1897	...	...	...	...	—	44·6
1898	...	...	...	...	—	104·9
1899	...	...	...	...	—	51·4
1900	...	...	...	...	8·6	—
1901	...	...	...	...	—	12·8
1902	...	...	...	...	—	8·4
1903	...	...	...	...	2·1	—

(*Statistical Abstract of the United States*, 1903, Washington, 1904, p. 77.)

The obligations were no doubt contracted gradually, some of them probably in 1899, or even in 1898.

Messrs. Morgan & Company were not the only persons interested. It is understood that they were more or less endorsed by fifteen of the largest banks in New York. Estimates of the amount of funds which Messrs. Morgan & Company and their group were able to secure from the various European centres vary very widely. The smallest estimates represent their borrowings as amounting to upwards of £10,000,000. Others represent them at the highest period of their existence, namely, in the end of 1901, as approaching £100,000,000. This last estimate is probably somewhat exaggerated, while probably the former one is much understated.¹ Whatever the total sum may have been, it necessitated constant renewals of bank credits and also large interest and commission payments together with periodical payments towards the extinction of these credits.

Throughout 1902 and 1903 very large remittances were made on this account to Europe by the United States, while during the same period the reputation of American Bankers suffered by their continued borrowing at high rates of interest even in the less important financial centres.² Exchange was demoralised by these transactions. Month after month brokers were endeavouring almost frantically to dispose of bankers' 60 day notes. On two days in October and November of 1903 the situation became highly critical. Exchange went to the gold point, but no gold was shipped because credit exchange and not gold was wanted, and those who wanted the exchange were unable to obtain the gold on credit. On these two occasions a panic was just averted.

The conditions brought into existence by the adoption of these financial expedients on a large scale reacted in such a way as to prevent the public from coming to the relief of the syndicates by taking up the stocks the issue of which had been the occasion of all these movements.

Persistent "booming" of stocks by various interests, with the object of drawing the investing public into the money market in order that the huge mass of newly issued stocks in the hands of underwriting syndicates might be absorbed, came to an in-

¹ From such indications as are available, it appears to the writer that the obligations amounted to at least £70,000,000 in 1901.

² Large sums are known to have been borrowed in Edinburgh, for example. The bulk of the loans were, however, effected in London, Paris, Berlin, Amsterdam, and Vienna.

evitable end in the early summer of 1902, and a partial eclipse of the market was the result. A period of quiescence with a lower level of prices occurred in the summer, and then in September there came collapse. The investing public had become frightened from industrial securities as they had previously been frightened from mining and from railway stocks.

It became evident that the values of the capitals invested in these industrial combinations had been greatly overestimated because the promised economies in manufacture had not been fully realised, and the element of partial monopoly which characterised some of the combinations had not resulted in increased consumers' prices.

Notwithstanding these movements absorption of stocks was going on, though slowly. The United States Steel Corporation even appeared to be gradually getting its stock into the hands of investors.¹

The non-absorption, however, of a great body of the stocks issued by the combinations led to the sacrifice of some of them by the underwriters. The practice pursued by several combinations of paying from the beginning a dividend on the Common stock,² was looked upon by the public very suspiciously, because it appeared to them that this dividend was paid with the object of inducing the public to absorb the stock and that it would promptly be reduced or suspended whenever the stock was absorbed. The Banks and Trust Companies came to be overloaded with securities upon which they had lent money or which they had purchased with the funds at their disposal.³ Thus many persons

¹ The following shows the number of stockholders in the United States Steel Corporation in March, 1904, in comparison with the number at the corresponding date in the preceding years :—

	1902.	1903.	1904.
Preferred (February) ...	25,296	31,799	42,720
Common (December) ...	17,723	26,830	37,237
	<hr/> 43,019	<hr/> 58,629	<hr/> 79,957

[*First Annual Report of the United States Steel Corporation for the Fiscal Year ending December 31st, 1902* (Hoboken, New Jersey, 1903) p. 21, and *Second Report, ib.*, 1904, p. 21.]

² The U.S. Steel Corporation paid a dividend of 4 per cent. on the Common stock for one year.

³ No other development of our National Banking System has been so remarkable as the great increase in stocks and securities held by National Banks during the past eight years. The following table gives the capital, surplus and undivided profits, and stocks and securities as reported in the first calls to the comptroller in every year since 1897 :—

and Companies of even large capital found themselves in the position of carrying quantities of certain stocks greatly in excess of any justifiable amount. In one case, for example, a firm whose capital amounted—on paper—to \$1,000,000 was found after its failure to have speculated to the extent of \$20,000,000 on stock by means of loans from New York Banks, \$5,000,000 of this amount being in the stock of one enterprise. Similarly it is understood, for example, that a number of persons in Pittsburgh who had reaped large fortunes out of steel and other combinations, and had speculated with these funds in securities on the New York market, found, when the collapse came, that their really large fortunes had melted into next to nothing. In brief, the anticipations of enhanced values were not realised. Those persons who sold their businesses to the combinations at inflated prices and received cash for them, would have been wise to keep their freshly acquired capital in the form of cash. When they put it into securities, they found that the “water” in these evaporated to their own loss.

At the same time the increase of the population and the development of industries in the United States had necessitated increased railway equipment, and yet the Railway Companies found it very difficult to borrow the necessary money in an excited and uncertain money market. These conditions reacted in 1903 upon steel and its allied industries. Few orders for 1904 had come in, and in the beginning of the winter the industrial outlook was extremely black. The crisis hitherto purely financial, became now also an industrial crisis, affecting principally the iron districts. Furnaces were shut down, production was diminished, and yet it seemed that owing to the restriction of domestic demand in the United States it would be absolutely necessary to find foreign markets, especially for steel, in order

	Capital.	Surplus and undivided profits.	Stocks, securities, &c.
1897	\$642	\$333	\$198
1898	628	334	230
1899	608	333	276
1900	613	363	330
1901	634	399	391
1902	667	449	458
1903	781	516	511
1904	765	563	527

(000,000's omitted).

“This showing is not one to inspire the highest degree of satisfaction the use of the money of the banks for such investments is fairly open to criticism. . . .”—*Boston News Bureau*, February 17th, 1904. It is to be observed, however, that the force of the criticism depends on the character of the securities.

to avoid physical as well as financial ruin to the huge mushroom growths in the valleys of the Ohio, the Alleghany, and the Monongahela.

The increase in production between 1895 and 1903 involved the sinking of a capital in plant really huge, when all deductions are made for stock watering and the like.¹ The plant thus rapidly called into existence had to be kept going, otherwise the estimated gains from concentration of management could not be realised. In order to keep it going it was necessary to compete in foreign markets, and thus the process known as "dumping" was practised to some extent.² In the autumn of 1903, there were rumours that the United States Steel Corporation was about to make a definite onslaught on the British Iron market and were going to keep their works employed even at a sacrifice.³

	1895.	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.
Production of pig iron...	9·4	8·6	9·6	11·7	13·6	13·7	15·8	17·8	18·0
Production of crude steel	6·1	5·2	7·1	8·9	10·6	10·1	13·4	14·9	—
(In millions of tons of 2,240 lbs.)									

Number of furnaces in blast : 1895, 242 ; 1902, 307 ; 1903, 182.

Number of do. out of blast : 1895, 226 ; 1902, 105 ; 1903, 243.

[*Statistical Abstract of the U.S.*, 1903, p. 368 and p. 371.]

The distribution of capital and the progressive concentration of management are shown by the following :—

	Blast furnaces.		Rolling mills and steel works.		Forges and bloomeries.		Total of iron and steel works.	
	Number of establishments.	Capital in millions of dollars.	Number of establishments.	Capital in millions of dollars.	Number of establishments.	Capital in millions of dollars.	Number of establishments.	Capital in millions of dollars.
1880	490	105	397	121	118	0·6	1,005	230
1890	400	143	440	285	32	1·0	872	430
1900	278	159	505	455	14	4·3	797	615

[*Census Report*, 1900, Washington, 1902, vol. x., pp. 10—11.]

² In the inquiry into this subject recently made by the United States Industrial Commission, it was found that "the making of lower prices abroad than at home had been greatly exaggerated. About 20 per cent. of those reporting say that they occasionally make such prices in order to meet the market and sell their goods, but 80 per cent. report that they sell at either the same price abroad as at home or at higher prices."—*Final Report of the Industrial Commission*, Vol. XIX. of the *Commission's Report*, Washington, 1902, p. 629. Cf. also p. 626.

³ BOSTON.—It is stated that the United States Steel Corporation is offering finished steel abroad at prices in some cases \$5 per ton below those ruling on this side, and that some large orders have been taken on this basis. In Berlin, it is feared that the imports of American steel will be heavy.

It is said that the United States Steel Co. officials have for nearly three months been planning an aggressive ten years' campaign to capture the iron and steel

While it is true that important expenditures by some of the leading railways will be made this year,¹ yet there seems to be no doubt that the domestic demand for steel rails will fall considerably short of the power of production unless money becomes cheaper or the price of rails falls.² The estimated requirements for the year are 2,000,000 tons. If the production of steel rails is maintained at the figures of the past five years, there will be from 250,000 tons to 1,000,000 tons available for export. The situation is at present uncertain; but it may be that some portion of the steel may be "dumped" upon the British market. Whether that portion is large or small will depend partly upon the demand for steel rails in Canada, where several hundred miles of new lines will be built in the summer of 1904, and partly upon the demand for structural and other steel in the United States. In any case the total of steel exports to which the term "dumping" could fairly be applied is not likely to be large even under the present unfavourable conditions.

In the spasmodic and impulsive councils of the United States Steel Corporation there are elements to which a policy of "dumping" could not be agreeable. It happens that among the most important interests represented in the management of the Steel Corporation is the railway interest. The Steel Corporation is now in a position to manufacture five-sixths of the estimated demand for steel rails in the United States, so that unless the railway interest had something to say in the management, the Steel Corporation could on occasion "take the railway systems by the throat."

It is therefore not to be expected that the railway systems would consent to pay an exorbitant price for their rails while quantities of these were shipped abroad at "slaughter" prices.

No doubt the freight by rail of exported steel from Pittsburgh to the port of shipment enters into the calculation, for that represents addition to the income of the railway companies, whereas the purchase of steel rails means for a large part of the amount involved an addition to expenditure on capital account, and trade of Europe. At whatever price the goods must be quoted to get the market, they will be quoted. This idea was the inspiring cause for the creation of the International Mercantile Marine, which prevents the Britons from levying prohibitive freight rates against American steel products.—*Boston News Bureau*, November 5th, 1903.

¹ The Pennsylvania Company have borrowed \$50,000,000 (in Europe) for railway extensions. See *Pennsylvanian Railroad Company Fifty-Seventh Annual Report*, Philadelphia, 1904, p. 14.

² In 1897, steel rails were \$18·75 per ton. This year they are quoted at \$28·00 per ton.

the relation between the two sums is a not important consideration.

Nevertheless, it is not agreeable for the railway managers in the United States to contemplate railway extension going on, for example, in Canada, facilitated by a relatively lower price of rails there, with the result of enabling the Canadian lines to compete with those in the United States with an added advantage.

There is also another element in the case not to be neglected. While it is understood that the Rockefeller group of financiers have now acquired a large amount of control of the Steel Corporation this control is by no means absolute. Large amounts of the Preferred and Common Stock are held or hypothecated abroad, chiefly in England, and thus other cross-currents of interest come in to distract the councils of the Corporation when any "dumping" policy is projected.

Fluctuations in the ownership of so large a body of stock are, of course, frequent and considerable, and for this reason any policy is liable to be upset by unforeseen or unforeseeable combinations. Even raids on the stock in the market, forced liquidation, and the adoption of legal and illegal devices for obtaining or retaining control, which constitute the method of the audacious speculators in "high finance" in the United States, result inevitably in ultimate discredit, and recent disclosures of these practices have made the public so wary of industrial stocks that the game of combinations is no longer so easy to play as it was in 1900 and 1901.

In addition to these considerations, the rising public opinion against "corporations," though not discriminating or formulated, imposes a certain check upon unmitigated exercise of their quasi-monopoly. The "corporations" are, indeed, afraid of legislation inimical to their interests, and are especially afraid of taxation. They spend large sums in corrupting the State legislatures, and they influence more or less even Congress.

But the power of the greater corporations to maintain profits is probably exaggerated in the public mind, and even in the minds of their directors and shareholders. General prosperity, arising from the increase of population due to the immigration of great numbers of thrifty people living at a rapidly ascending standard of comfort, has made large profits possible in the greater industries, and might have made them possible with or without combinations. These profits are in the long run dependent upon the continuous increase of the population and of the standard of comfort, and a check to either of these would strike

the corporations immediately and heavily, more heavily indeed than groups of smaller concerns. The profits of large corporations are realisable only through continual expenditure on capital account. This continual expenditure has been accompanied by continual destruction of plant,¹ the pecuniary amount being retained in the capital accounts by a dangerous system of book-keeping, justified only by increasing earnings and increasing estimates of future earnings.

The enormous fortunes which are reputed to have been made in the United States during the past few years are thus to the last degree unstable, in so far as they are embarked in carrying over a vast burden of overestimated industrial plant. So long as flotation succeeded flotation, and funds could be borrowed from Europe to make up the deficiencies caused by the non-absorption of stocks by the public, all went well; but with the declining credit of American financiers in Europe the pinch has come. It is perhaps true that a great number of persons who regarded themselves as financially strong are simply holding on with the energy of desperation.

The present stagnant condition of the New York stock market suggests that this is really the case. The general prosperity of the country, great as it has been, has been over-discounted. That the tendency to over-discount has been checked is evident, but if it had continued the demoralisation of the European exchanges on account of the outbreak of the Russo-Japanese war supervening upon other causes would undoubtedly have produced a violent reaction in American finances.

The present condition of comparative quietude is not due to strength but to exhaustion from previous escapades.

Since the autumn of 1903 several events which have had a more or less important influence upon the market have occurred. The surplus earnings of the harvest of 1903 have been placed in the banks, and a considerable amount of stock has been purchased for investment during the past six months.

In February, 1904, events occurred which affected the market for a short time only. The effect of the war between Russia and Japan, so far as stocks were concerned, was discounted for at least a month prior to the outbreak of hostilities.²

¹ This is especially true of the electrical industries, where the rapid changes in technical methods have led to the sacrifice to the scrap-heap of plant economically exhausted but not yet really paid for by earnings.

² An incidental effect of the war has been the heavy shipment of gold from Japan, \$15,000,000 having been received in New York between December 1st and April 7th. See *Boston News Bureau*, April 8th, 1904.

The illness of Mr. Marcus Hanna had a somewhat paralysing effect for some days, as the financial interests of New York had evidently counted upon him to contest the Presidency with Mr. Roosevelt, or to support some other candidate favourable to the financial interests. The fire at Baltimore resulted in a loss to the insurance companies of from £10,000,000 to £12,000,000, a large part of which fell on New York, and it was feared that the insurance companies would be obliged to sell the better class of their securities in order to pay the large claims upon them. In addition to this it was naturally assumed that Baltimore would be a heavy borrower from other financial centres for a time. There was, moreover, a certain paralysis due to the Northern Securities case then pending.

In spite of all these influences, and in spite also of the immanence of the Presidential election, which will be held in November, there has been a considerable number of large borrowing transactions. There can be no doubt that during the next few months the railway companies, in so far as they have succeeded in placing temporary or permanent loans, will have a large amount of money to expend on structural steel and on rails. It is this prospect, undoubtedly, which led in January to the blowing in of some thirty furnaces by the United States Steel Corporation. The weekly capacity of producing pig iron, which on January 1st was 183,000 tons, has thus been increased to 287,000 tons on February 1st.

The price of steel in the United States is fairly well maintained, and some extensive orders have been placed by Canada in England at lower prices than American steel makers were prepared to quote.

All this has an important influence upon the United States trade with England, for if the domestic demand for her iron increases or even remains as it is, there can be no serious question of "dumping." It may therefore be held to be a great gain for England that American trade has regained as rapidly as it appears to have done.

The Presidential year is commonly regarded as likely to be a year of depression, and this year looked at the beginning as if it would be even more so than usual, but the circumstances above detailed have contributed to give a spur to the more important industries. It may be worth while to notice, however, that there is no very serious improvement in the financial situation. The habit in the United States of conducting business on an insignificant basis of capital remains. Moreover, the banking system

is such that there is no effective reserve except the comparatively small one which is kept by the United States Treasury. Even that is divided up into a large number of fractions situated in widely scattered parts of the country. As the spring has advanced, the high rates for money prevailing during the winter have fallen, and low money rates with a relatively plentiful supply in New York have resulted in withdrawals for recoupment of European loans rather than in a local stimulus to speculation.

It has already been noticed that the banks have been holding an enormous amount of securities. This practice has been increased to quite extraordinary proportions. While since 1897 the banks of the United States increased their capital by 19 per cent. and their deposits by 98 per cent., they increased the securities held by them by 196 per cent. in the same period.¹

While, as mentioned above, there has been a manifest movement towards concentration of control in one directorate in some of the staple industries, experience has shown that it is exceedingly difficult to secure competent management for very large enterprises. This is amply proved by the frequent changes alike in the personnels and in the policy of the large corporations. A manager who has seen a business grow under his hand and has adapted himself to the growth of it, is in normal cases successful, but if the same man is suddenly placed in a position of authority over a large group of such businesses, the strain upon him is apt to break him down or to result in indifferent financial returns. Certain notorious cases of mere mental collapse under such circumstances have occurred. The difficulty of securing competent managers is the great difficulty of the large combinations.² Time may remedy this; but the conditions of life in the United States do not appear to be making for any general remedy. The exceptional cases of Mr. Rockefeller, Mr. Cassatt of the Pennsylvania Railroad Company, and Mr. James J. Hill of the Great Northern System, are quoted so often as to convince one that such men are exceedingly rare. It might fairly be held that the huge combination has been made possible not because business ability of a high order in the United States is so common, but because it is so unusual that when a man possesses it he at once acquires tremendous power. This power is obviously proportioned to the weakness of his competitors. With the growth of business

¹ See also above.

² Some of the largest owners of enterprises in the United States lease them in detail rather than incur the risk of loss through leakage.

ability in a general sense, the exceptional power of such men over others must diminish.

Concentration of control has become intensified during the past few years to such an extent that the Rockefeller¹ group of financiers, for example, controls nominally, not merely the Standard Oil aggregation of businesses, but also Amalgamated Copper, as well as the urban transportation, the gas and electric lighting of New York and of many other cities. Yet this control is subject to many checks. If profits can be maintained and, still more indispensably, if the power to borrow constantly needed capital can be maintained, there is no conceivable limit to the operations of this powerful group. But general economic causes over which even they have very slight influence, may prevent either or both of these elements from being maintained. The mere extent of their operations affords possibilities of leakage through incompetent or corrupt management which are practically impossible to check. Upon the absence of leakages depends the profit, and upon the profit depends the credit. The edifice of apparent value which has been built up may crumble under exceptional pressure.

In 1893, when the United States passed through a serious financial crisis, the strongest groups had exhausted their borrowing powers and were unquestionably on the very edge of collapse.

That the most powerful groups have no faith in the existing character of the money market is very evident. For some time past it has been rumoured that the conspicuous groups in "high finance" were accumulating cash reserves in order that they might be independent of the New York money market, and even of the European money markets.

The Banking System of the United States and the system adopted by the United States Treasury in managing its reserves had in 1893 shown themselves to be inadequate to meet the emergency which occurred then. What might be the result of trusting to these feeble safeguards under conditions in which the pecuniary interests involved had greatly increased? This serious question appears to have been answered by Mr. Rockefeller in his accustomed way. He must accumulate a reserve of his own; this could be done either by selling securities and so contributing to the fall of the market or by cutting down dividends. He has adopted the latter course. Thus while the Standard Oil earnings

¹ Although abroad Mr. Rockefeller's name stands alone, the active members of his group are Mr. H. H. Rogers and Mr. Flagler.

show no diminution, the rate of dividend has been reduced in order to provide reserves against emergencies.¹

Among the numerous *mots* perhaps improperly attributed to Mr. Rockefeller is this one: "The New York money market. With ten millions of dollars I could send it anywhere I wanted to." Whether Mr. Rockefeller said so or not, this is probably a statement of fact. A few millions of dollars dexterously used might suddenly inflate or suddenly depress the market by overcoming its inertia; but even a large amount in skilful hands could not be calculated upon to control the movements of the market when the equilibrium had once been disturbed.

The concentration of industrial control has not been accompanied by corresponding concentration of financial control.

The reserves in the American system are too scattered, too difficult to get at, the amount of floating debt due by America to Europe is even yet too great, and the investment of funds in highly permanent (or even irrevocable) forms of capital too disproportionate to the amount of progressively available funds: so that American finance is in an extremely precarious position.

A few notable cases of banking amalgamations have already occurred, and more may be expected. If these amalgamations are effected on a sound basis, they may lend an element of stability to the situation.

Certain industrial conditions are of importance in a general survey. Although it would be difficult to work out the problem in statistical detail, the data not being available,² there is an impression that the industrial supremacy of the United States in certain branches is due to temporary causes.

In some of the most successful manufacturing trades, the body of skilled workmen is wholly composed of recent immigrants from Great Britain and Germany. The native-born American does not care to work with his hands unless he is obliged to. It appears that in the industries mentioned, the unskilled labourers doing work in the yards of manufacturing establishments and in other open air employments are Russians, Poles, Finns, Bulgarians and Italians; those workmen who fetch and carry in the workshops are native-born Americans, while the skilled artisan is from Great Britain or Germany. The long apprenticeship necessary

¹ In February, 1903, the Standard Oil Company paid a dividend for the year of \$20 per share. This year a dividend of \$4 per share has just been declared, with the announcement that earnings have not diminished, but that, in view of the uncertainty of the market, reserves must be accumulated.

² I believe, however, that the matter is occupying the attention of the statistical authorities.

to produce a skilled engineer, for example, is irksome to an American. He can get employment as a clerk or as a commercial traveller without apprenticeship or study; and he therefore prefers these employments.

Although there is no doubt about this being the case in certain industries, notably in the Pittsburgh district,¹ it would be hazardous to infer that it is general in the manufacturing districts. In so far as it exists, however, it indicates that unless a native artisan class of a high order can be brought into existence, American manufactures, in the absence of a continuous supply of European skilled labour, cannot compete with those of Europe.

The great corporations bulk so largely in the public eye and exercise so great an influence over politics, Federal, State and Municipal, that it is apt to be forgotten that the bulk of the manufacturing industry of the United States is after all outside of these. "Corners" may be manipulated from time to time in wheat or in cotton; but there is no monopoly in these, and there are in the Eastern and Middle States great numbers of relatively small businesses conducted without the flamboyant finance of the corporations. The industrial backbone of the United States is in agriculture and in these manufacturing concerns rather than in the great combinations whose equilibrium is so unstable and whose finances are at the mercy of groups of gamblers on the Stock Exchange.

Manufacturing firms of moderate size making for domestic consumption under the protection of the tariff have little share in foreign trade, and have little opportunity of "dumping" their goods in foreign markets.

It is customary from a general point of view to regard the United States as a unit upon fiscal and industrial questions. The area of the country is so great and the economical interests are so divergent, that there is perhaps no unanimity of opinion upon any point.

New York and Boston, the South, the Middle West, the North

¹ In the returns of the last census (1900), the following statistics of Pittsburgh throw some light on the subject:—

Aggregate of males.	Native born males.	Foreign born males.	Males native white, native parents.	Males native white, foreign parents.
165,646	118,777	46,869	50,109	59,271

NOTE.—Of the 46,869 foreign born, 46,687 were white. These figures show that the foreign born and their children number 106,130, or 64 per cent. of the aggregate males—a proportion of about *two* foreign born or born of foreign parents to *one* native of native parents.—*Census Report* (1900), vol. ii., p. 140.

West, Montana, Idaho and the Pacific slope represent different and even divergent interests. They represent also widely different scales of prices and of wages. The South is cheap. The East and Middle West are relatively dear. Rents are high in New York, in Boston, and in Pittsburgh, and relatively low in Philadelphia and in Baltimore. These varying economical conditions give rise to varying views of the tariff. The conditions change, no doubt, with the movement of population, and the opinions of the East are perhaps rather apt to drift Westwards with the people;¹ yet the West has been becoming more rather than less opposed to protection, and with the movement Westward of the centre of population we may on the whole expect a progressive antagonism to a high protective tariff.

Although the Democratic party is in a disorganised condition while the Republicans are well organised and powerful, more so even at this moment than they were prior to the death of Mr. Marcus Hanna, who threatened to make a division in the ranks, there has been for some years a disposition on the part of an influential section of the Republican party to modify the protective system. This was made very clear in the last speech of the late President McKinley, delivered at Buffalo in September 1901.²

It would be idle to deny that the smaller manufacturers as well as the larger ones conceive that their interests lie in the direction of protection. If, however, the larger manufacturers,

¹ The centre of population, which in 1850 was 39 N. Lat. 81 W. Long., was in 1870, 39 N. Lat. 84 W. Long., and in 1900 was 39 N. Lat. 86 W. Long.—*Report of 12th Census*, vol. i., Washington, 1900, Plate No. 7.

² "By sensible trade arrangements, which will not interrupt our home production, we shall extend the outlets for our increasing surplus. A system which provides a mutual exchange of commodities is manifestly essential to the continued and healthful growth of our export trade. We must not repose in fancied security that we can for ever sell everything and buy little or nothing. If such a thing were possible, it would not be best for us or for those with whom we deal. We should take from our customers such of their products as we can use without harm to our industries and labour. Reciprocity is the natural outgrowth of our wonderful industrial development under the domestic policy now firmly established.

"What we produce beyond our domestic consumption must find a vent abroad. The excess must be relieved through a foreign outlet, and we should sell wherever we can and buy wherever the buying will enlarge our sales and production, and thereby make a greater demand for home labour.

"The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of goodwill and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not."—*The last speech of President McKinley at Buffalo, September 5th, 1901*. Printed for Private Circulation [Philadelphia], 1901, p. 4.

otherwise the great corporations, take full advantage of the tariff to maintain their prices at a high level, the mutterings of discontent with the system which are at present heard everywhere may lead to a modification or even perhaps a reversal of the protectionist policy. Moreover, if it be the case as is alleged by some of the advocates of the system of trusts that they do not any longer need the tariff, the corporations will be indisposed to subscribe large sums to the campaign fund of the Republican party, and may therefore incidentally promote either the defeat of the party or a change of its policy.

The movement for tariff reform will no doubt come in the first instance in the case of these industries, the raw material for which must now largely be imported. This would lead one to suppose that the first to be affected would be the lumber and paper industries.

The reckless exhaustion of the forests has produced a timber famine, and the newspapers of New York and Chicago which use up acres of pulp-wood every week will shortly be dependent for their supply upon Canada.

While it would be too much to say that public opinion in the United States has veered round against protection, there is undoubtedly a strong feeling against the "corporations" which may be directed against the tariff. Mr. Roosevelt evidently sees that the existing machinery of the law must be put in motion against the trusts, and for this reason he has pressed the litigation against the Northern Securities Company. The recent decision in the suit before the Supreme Court of the United States has for the time being checked the corporations; but the resources of the legal profession are not exhausted, and even if the Northern Securities Company has been shown to be an illegal combination, some means will probably be found to effect in another way the object aimed at in its formation.

The real safeguards against trusts lie in their inherent deficiencies in an economic sense, and not in any legal attempt to restrict them. Public opinion may however insist on the adoption by all the States of a method similar to that adopted by Massachusetts, Virginia, North Carolina, and some other States. This method involves a close scrutiny by a State Commissioner of all flotations, compulsory publicity of accounts, and other devices for the prevention of stockwatering and similar objectionable financial manipulation.

The net conclusions from these considerations may be put in this way:

(1) The technical management and the financial management of the great manufacturing corporations are in a rudimentary stage, and they will thus probably for some time make no serious impression upon established trade connections of other countries in neutral markets.

(2) The leakage incidental to very large businesses may be so great as to neutralise the advantage of concentration carried to a high pitch.

(3) The redistribution of capital which is being accomplished by the corporations must eventually bring into their councils representatives of divergent interests; this may lead to the breaking up of the aggregations.

(4) For these reasons the trust is on its trial; forced reconstruction and reduction of nominal capital would necessarily limit its powers and damage its prestige.

(5) It would appear as though the operations of the large combinations afford an illustration of the law of diminishing return; they involve the increase of economies with concentration up to a certain point. Beyond that point additional concentration of management does not involve so great an increase of economy; and a point is ultimately reached at which economies cease, and loss accrues.

(6) A time may come when the productive powers of the United States greatly exceed the requirements of the home market. If simultaneously there occurred favourable labour and financial conditions, it might be possible for sales of the surplus production to be made in the British market or in neutral markets to such an extent as to injure seriously British manufactures. The process might not last long, but it might last long enough to ruin important industries. Financial and other checks seem, however, to have been so far adequate to prevent such practices from being carried on indefinitely, or indeed from being carried on to a material extent. Should these checks fail, it seems very doubtful whether legislative checks would succeed, although strong grounds might be found for trying them.

(7) It is difficult to dissociate the corruption of political life in America from the influence of protection. Each interest must look after itself. That is, it must "look after the politician." So well recognised is this, that campaign funds for political purposes are contributed mainly by the corporations. They frequently contribute impartially to both sides. These contributions are a great tax upon the shareholders, and in many cases constitute a practical surrender of the profits of the enterprise,

The companies find themselves in a vicious circle. They must subscribe in order to get protection, and they must be protected in order that they may be able to subscribe. The chief gainers are the professional politicians and the office-holders who live on their patronage. •

(8) At a moment when the whole question of protection is under serious discussion in the United States, it is peculiarly unfortunate that a propaganda in favour of a particularly objectionable form of it should have been inaugurated in England. Mr. Chamberlain's propaganda, whether it succeeds or fails, has already encouraged the high protection party in the United States and Canada, and has perhaps done something to extend the reign of protection in both countries.

(9) England passed through her period of corruption and protection; and America will doubtless do so also. Mr. Chamberlain's propaganda, however, if it succeeds, seems likely to bring upon England at least some of the evils from which she suffered at an earlier period, and from which America is at present suffering.

JAMES MAYOR.

FREE TRADE AND PROTECTION

I.

THE Editors of the ECONOMIC JOURNAL have done me the honour of inviting me to express my views, in its pages, on the contest now dividing the political and scientific world of England with respect to that country's "fiscal policy." For several reasons I have hesitated before accepting the invitation, and in accepting still hesitate. The English people are launched upon a weighty quarrel, and a domestic one. It is scarce seemly for a foreigner to mix himself up in it. Any Englishman* whose views are unappreciatively interpreted by foreign utterances, is naturally inclined to retort that Englishmen are more competent than foreigners to pronounce, on any point, which is the best policy for England. This, he might say, is a very different matter from that of Continentals summoning English engineers to build railroads at a time when none but English knew how to do so. On the contrary, the present emergency not only concerns home politics in which the foreigner is, generally speaking, comparatively incompetent to give fitting counsel, but it is also a matter in which England has for a long time been acquiring special experience and opportunity of judging, and is therefore the less in need of a foreigner's advice.

Such sentiments might be looked for even in the event of a great scientific authority being called upon to pronounce. In our case, unfortunately, and for this controversy there is no such authoritative voice, either national or international, to claim any special weight in deciding this vexed question. There may be men here and there who have invested themselves with a great halo. But unluckily the halo has a way of dispersing very quickly as soon as it is exposed to the sharp test of opposed interests and opinions in practical politics. Then that which was but just now a brilliant name in science sinks down to the level of barren book-wisdom and "grey theory."

Much more does all this apply when the person in question holds, as I do myself, the firm conviction that, in the present question, he can, under no circumstances, claim to speak with any authority.

Besides, there is another complicating circumstance. Were I to venture to express an opinion on the policy of England in the matter of railways with the presumptuous idea that the English would listen, my own country would in no way be affected by any controversy on such a subject. To Germany it is practically an indifferent matter whether England persists in her present system of land-transport, or whether she introduces changes therein. In questions of tariff policy, the opposite holds good. Here we are concerned with measures which at all times are facing both ways, domestic and foreign. That which was said above to amount to a foreigner's meddling with home politics becomes, in fact, an attempt to influence that home policy from the point of view, and in the interests of, that country to which the adviser belongs. Nay, more : the adviser will incur rebukes both from the foreigner and from his own country, according as his advice runs counter to the national sentiment on either side, or in as far as it seems adverse to the interests of the several economic sects, or at least conflicts with the views of individual party leaders.

These indications may suffice to explain my hesitation, and to win excuse for me, if I refrain from giving my views in such a form as might lay me open to misinterpretations such as I have described. In what I am about to say, I shall prefer to hold myself as far as possible aloof from points of practical politics actually under discussion, and just state the impressions which have been borne in on me, during the course of my scientific life, from the commercial policy of England and Germany. In so doing, I trust that I may be describing not individual impressions merely, but such as are to some extent held in common by a number of my colleagues and countrymen.

II.

At the time when I began to acquire independent views on economic science and its controversial questions—that is to say, about 35 to 40 years ago—opinions on foreign commercial politics mainly ranged themselves in Germany in two opposite camps. The one set of views had gradually won the upper hand in the national public opinion. It came from England as a result of the

new Free Trade movement. With it were associated the names of Richard Cobden and John Bright, as well as the recently concluded commercial treaties between France and England, and between Germany and France. It was promulgated in Germany through the agitation of the Congress of Political Economy, the heads of which were either partly English, like John Prince Smith, or had long resided in England, like Julius Faucher. Their literary organ was the *Vierteljahrschrift für Volkswirtschaft*, the contents of which became ever more and more the mould for the economic views of the Liberal and Progressive Parties of the Germany of that date.

The doctrine thus inculcated was Free Trade *sans phrase* : Free Trade both inland and abroad. Considered only under the latter aspect, and as an international gospel, uprooted from its English native soil, its more pronounced radical nature is clear, inasmuch as it takes no account of the historical conditions of each country, but claims to be valid for all countries and all times.

Essentially opposed to this doctrine was that teaching which is associated with the name of Friedrich List, and is set out in his *Nationales System der Politischen Oekonomie* (1841). This is, or was, the doctrine which mainly held the field among scientific economists in Germany, and grew up with the traditions of the German Zollverein. It may be defined as the theory (a) of the gradual historical evolution of each civilised country's economic mechanism ; (b) of the growth and nurture of the several branches of production, especially in large-scale industries ; (c) of the relativity of commercial policy as adapted to the specific grade of civilisation in a given economic centre ; (d) of the antithesis of Free Trade and Protection viewed as the historical outcome of that attempted adaptation.

List, who was, through and through, a man of practical propagandism and patriotic efficiency, created his doctrine with a view to aid the development of the German Zollverein, and German industry, in the fight with the commercial supremacy of far-ahead England. For him the protective tariff was the weapon by the aid of which Germany's young industry should fight not without hope in the competitive war. For him it was but the means whereby, in her own good time, Germany should attain the goal of Free Trade, which England had already reached, or for which at least she was already ripe.

List's doctrine was adequate for the purpose for which it was created. Besides, from a more general scientific standpoint, it lifted the aimlessness of the older Protective system on to a higher

plane. It converted ideas, uttered now and again by statesmen like Colbert, into the support of an economic theory, showing how the sacrifices imposed upon a nation by its Protectionist campaign might be duly proportioned to the corresponding advantages gained thereby. Instead of assuming Protectionism as an endless, aimless object in itself, List raised the question as to the end and aim of those sacrifices which it in every case demands. He asked, when and where should a protective tariff be rightly established? He asked further, how long should it be in force, to what pitch should it be carried, in order to make room for Free Trade? List fought for his German fatherland; nevertheless, England was for him the model where the sacrifices undergone for centuries had at length put her at the head of the nations in all the power of her industries and her commerce, rendering such sacrifices no longer necessary.

III.

List's theories were quite in keeping with the socialistic political tendencies put forward some thirty years ago by economists at the German universities. Both agreed in the prominence assigned to State intervention, whether for the purpose of raising the status of the working classes, or for that of fostering industrial productivity. A generation, however, had passed by since the time of List's practical efforts, and, for the social economy of Germany on the eve of becoming an empire, the practical consequences of his doctrine might take different forms. Indeed, there was a tendency, in scientific circles, in consequence of newly-won commercial treaties, to agree to an approach to Free Trade principles, and thus to assume that German trade for its part had begun to enter upon the stage of maturity.

By a concatenation of circumstances—not rare in history—this same current of political economy, by which the progressive tendencies of economic scholars became the predominating home policy of the German Empire, actually led to a system of Protectionism, which was justly termed Neomercantilism, being indeed a retrogression to an anterior stage of development.

The imperial tariff of the year 1879, by which this policy was inaugurated, conformed more especially to the "system of solidarity," which was started in France at the time of the Restoration. Its object was so to distribute the bounties of the tariff as to give each branch of production a fair "look in," without inquiring whether a given branch called for protection. Carried out

systematically, and raised to an international scheme of trade, it amounts to protecting each against each, and all against all. It engenders a general spirit of national narrow-heartedness, or augments such a disposition thereto as may already exist, setting up the object of pitting the strength of each nation against every other, on the irrational ground that the trade of highly developed nations is, for the importing nation, an evil; for the exporting nation, a benefit. Thus the political aim is made to lie in diminishing the evil as much as possible, and in finding the greatest possible compensation for the inevitable residuum of evil. As to discriminating between the several branches of production, as to a time-limit in protective measures, that is to say, in the sacrifices imposed, for this or that species of production, on the other species, as, in a word, to any definite goal, the question is not even raised. In fact, the system creates in the moral and economic consciousness a hothouse atmosphere, in which men forget how to breathe the pure air of liberty, and in which they fall back on imputing ever greater responsibilities to the State, whereby, in turn, is begotten a chronic condition of unsatisfied wishes.

A nation may, in spite of this policy, make great strides in productivity. But this is a proof, partly that such a nation has great capacity for progress in that direction, partly how limited is the effectiveness of every sort of legislation, even of the most harmless, over against the strength of a people. In my judgment it is never more than a *post hoc ergo propter hoc*, to assign this commercial policy as the cause of the advance in German industries during the last twenty-five years. To be sure it is another question whether production in Germany was at that time strong enough—as in England's case—for her to shake off the epidemic of this system of solidarity.

An essential portion of the system consists in the agrarian tariffs. They made a timid and modest beginning in the tariff duties of 1879. In a few years they rose. It is noteworthy that the rise and continuous growth of a feeling of insatiate discontent in German agricultural strata has only gone on since they were imposed. Specially remarkable about it is the fact that not even the opponents of the agrarian tariff have ever raised the question as to the limit of time for its imposition. The one thing demanded is its enhancement, and to cope with this perennial discontent of agriculturists has been the select diversion of the German imperial government for the last two decades.

The agrarian duties were introduced on the understanding that they were only to meet a transient emergency. Journeys of

investigation were made to the United States, with the pleasing discovery that the competition of American corn rested on a basis of stolen advantage, which would soon become in turn a disadvantage to America herself. The stolen advantage, however, continues still to be enjoyed, and there is not much prospect of being able to overlook it in the future.

IV.

Whatever the several conditions may have been which introduced the so-called "newer fiscal policy" in the year 1879, such as (a) the sharper severance of nations through the wars of 1866 and 1870; (b) the establishment of the French Republic, and, therewith; (c) the emancipation of the endemic fiscal efforts in France from the pro-Free-Trade rule of the Second Empire; (d) the after-effect of the crisis of 1873 on German industry, especially in iron and steel, and a similar effect on Austrian industry; (e) the complication of a fall in the prices of agricultural produce, as the result of foreign competition, with the simultaneous handicapping of industry; (f) the traditional influence of classes of society mainly interested in the high price of corn, and who, until then, and in the less developed trade of Germany and Prussia, had been all for an active export of corn, and thus for Free Trade—whatever, I repeat, were the conditions, such was the effect, and such was the atmosphere which was now diffused by the economic policy of the German Empire. It may be unquestionably true in both home and foreign opinion that German industries, during the last three decades, have undergone an unparalleled expansion. But it is no less true that, quite apart from the inexplicable causal connection, the economically political atmosphere of this same interval of time has been by no means gratifying. It neither was nor is an age of content and harmony, worthy of so great national results, but an endless series of complaints and grumblings. These were, as was only natural, most marked on the part of those classes of society who made the loudest claim for the help of the Empire and the State in every possible form, without rendering it possible to make progress similar to that in large-scale industry and commerce. It is in precisely these circles that the tendency of the treaties of commerce, concluded in 1892, for the reduction of protective tariffs, was criticised with growing resentment.

Now, whereas this condition of commercial politics in Germany

represents, more or less, the collective commercial politics of the Continent and the United States, England has, in the main, held firm to the policy of her commercial treaty of 1860. It is evident that this solitary Power has been contemplated with satisfaction by those who share my opinion on the commercial politics of the Continent.

We know, however, that England went over to a system of Free Trade, not from pure admiration for the doctrines of Adam Smith and his followers, but suffered nearly a century to elapse before carrying his prescriptions into execution. Nor was she moved by abstract preference for the ideal of free exchange of goods between nations. She waited before throwing open her borders to the competition of foreign manufactures, till the time when she was equal or superior to other lands in all, or at least in leading, commodities. She only admitted the competition of foreign raw produce, especially corn, when the preponderating interests of her trade had long ceased to lie with the producers of raw material.

Among the turning points of history may come another change in this relation of England to other nations; nay, to a certain degree, it has come already. The actual changes have already brought with them certain definite, if minor, heresies, opposed to the principle of Free Trade. Its precursor since 1880 has been the Fair Trade League. The Merchandise Marks Act of 1887 was the first legislative measure. However much it has been sought to disguise the causes of it, so as to conceal its Protectionist character—would Cobden have ever consented to such a measure? It was followed by the export duty on coal during the South African War, which is still in force to-day, and again by the duty on corn, which was taken off after the war. Both measures were justified by the financial exigencies of the war. But they are at the same time indisputably Protectionist measures, as is proved by the retention of the coal duty, in spite of the war having ceased.

Speaking generally, it is no aid to clearness in these questions to speak of the *Zollpolitik* (tariff politics) of Germany as "fiscal policy." "Fiscal" belongs to that which is levied for purposes of revenue, not for purposes of commercial policy.

The "United Empire League," with its most recent phases, is a movement dating from 1891. Its very complicated task is that of endeavouring to extend the idea of the *Zollverein* of Germany over the far greater proportions of the British world-empire. But it is for England yet one more step in the road leading away from Free Trade.

Is not the possibility in the air that influences, similar to those in other countries, are working in England, and that the power of national instincts, which elsewhere have wrought so mightily, may yet bring about in England a majority in favour of the old, much-worn-out, and yet ever again useful catchwords of Protectionism? When, over thirty years ago, for the purpose of study, I first stayed in England, an eminent jurist, with whom I was conversing, hurled at me the argument of the will of the majority. And I repeat that it is the "majorities" of our age that we have to thank for the commercial policy of the Continent and of the United States, which, in the eighteenth century, were ascribed to the despotism of governments. The commercial policy of England will also be presently decided by majorities. Will they follow in the wake of other nations?

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THE ASSIZE OF BREAD

THE peculiar "Assize of Bread," by which the justices of the peace had periodically to regulate the price of wheaten bread, was, it need hardly be said, a mere surviving remnant from an extensive system of regulating the price of provisions, dating, probably, from Anglo-Saxon times.¹ Though it formed the subject of almost constant controversy during the whole of the eighteenth century, and was repeatedly the subject of Parliamentary inquiries, we do not find that any historical account of it exists.²

We have even found some difficulty in ascertaining how the Assize was set. As defined by one of the most celebrated of English statutes, the "Assisa Panis et Cervisiæ,"³ which re-

¹ See *The Growth of English Industry and Commerce*, by Dr. Cunningham, vol. i. (1890), Appendix A, for ordinances of the 8th and 12th centuries. "Those who supply the people with their necessary food or drink," observes Daines Barrington "(as bakers, millers and brewers) have not only always been suspected, more than other traders, of impositions, but have likewise been subject to regulations of peculiar severity" (*Observations on the Statutes from Magna Charta to 21 James I.*, c. 27). See the interesting *Review of the Statutes and Ordinances of Assize* (1202-1797), by G. Atwood, 1801.

The Manorial Courts continued, at any rate down to the end of the sixteenth century, to enforce adherence to the customary prices. Thus, at Clent "in 1575 . . . the butcher of the parish was fined twopence for taking 'excessive gain.'" *A Short History of Clent*, by John Amphlett (1890), p. 103.

² The revival of this regulative system was frequently asked for. "That most, if not all, eatable things exposed to sale in the markets as well as in shops, may be sold by weight (as is done in Spain) and also may weekly or monthly be rated (as bread in cities) by the magistrates or officers sworn so to do."—*England's Wants: or Several Proposals probably Beneficial for England*. By a True Lover of his Country (1667), p. 31.

³ A "statute of uncertain date," usually ascribed to 51 Henry III. (1266).

The Assize of Ale, regulated by the same statute, appears to have gone completely into desuetude long before the eighteenth century. It provided that "when a quarter of wheat is sold for three shillings or three shillings and fourpence, and a quarter of barley for twenty pence or two shillings, and a quarter of oats for sixteen pence, the brewers in cities ought and may afford to sell two gallons of beer or ale for a penny, and out of cities to sell three or four gallons for a penny. And when

maintained unrepealed for six centuries, it was based on the following assumptions. It was taken for granted that a loaf of bread should be sold at the customary price of one penny. The baker was required to make his loaves of a definite weight, and to sell 418 pounds of bread, out of every quarter of wheat. The weight of the loaf was so fixed as to enable the baker, with ordinary skill, to make in addition, out of the quarter of wheat, two peck loaves (or 24lb. 14oz.) of "advantage bread," for himself. He was, moreover, to be allowed a sum of money on every quarter, according to the following quaint table of 1497 :—

"The Baker was allowed

"Furnace and wood	6d.
"The Miller	4d.
"Two journeymen and two apprentices	5d.
"Salt, yeast, candle, and sack bands .	2d.
"Himself, his house, his wife, his dog and his cat	7d.

"In all 2s. 0d.

"And the bran to his advantage."¹

It was assumed that three kinds of bread, namely "wastell bread," "bread of the whole wheat," and "bread trect"—after-

in a town three gallons are sold for a penny, out of a town they ought and may sell four. And this assize ought to be holden throughout England." This Act remained law in England until 1863, and in Ireland until 1872, when it was repealed by the Statute Law Revision Acts of those years. Orders fixing the price of ale, presumably under its authority, were frequently made by Town Councils in the sixteenth century (see, for instance, that at Lincoln in 1553, directing the brewers to sell at 2d. per gallon, in Report of Historical Manuscripts Commission, Cd. 7881, p. 47), and there are frequent cases in the Court Leet records of this century of persons amerced from infringing the assize. Definite statutory provision was made by an Act of 1604 (1 or 2 James I. c. 9, sec. 3), which enacted "that if any innkeeper, alehouse keeper, or victualler shall at any time utter or sell less than one full ale-quart of the best beer or ale for a penny, and of the small two quarts for one penny, that then every such innkeeper, alehouse keeper, or victualler shall forfeit for every such offence . . . the sum of twenty shillings." We have found no mention of the enforcement of this law, which was not repealed until 1828 (9 George IV. c. 61, sec. 35). We imagine that the price of ale ceased to be effectively fixed before the middle of the seventeenth century. The price of wine was also regulated. An Act of 1537 (28 Henry VIII. c. 14) enabled the price of wine to be fixed, by the justices in counties, and the mayor in boroughs. Though it remained in force nominally until the present generation, we have not found any instance of action being taken under it in the eighteenth century. See, for the whole subject, *Curiosities of Ale and Beer*, by John Bickerdyke (1886).

¹ This table is given, among other places, in the Appendix to the *Review of the Statutes and Ordinances of Assize, 1202—1797*, by G. Atwood (1801); and in *Artachthos*, by John Penkethman (1765).

wards known as white, wheaten, and household, respectively—would be made out of each batch of flour, which would yield a certain definite proportion of each sort, and the loaves of each sort were always to bear a fixed proportion to each other in weight, according to their assumed value, the finest to weigh exactly three-quarters of the second, and the second three-quarters of the third; the middle price of good ordinary wheat being taken as the basis on which to fix the weight of the finest.¹ During the sixteenth century, and, indeed, down to 1638, the “Book of the Assize of Bread,” prescribing these various allowances, was periodically revised and reissued by authority of the Privy Council—with what effect we cannot discover.² By the end of the seventeenth century, this, like all other regulations, had to a great extent fallen into desuetude. “Little or no observance,” recites the Parlia-

¹ See the able account of the old laws, by H. Pelham, secretary of the Victualing Office, in Appendix H to Report of House of Commons Committee on the methods practised in making flour from wheat, 1774.

“During the reigns of James I. and Charles I., the money allowance was at six shillings; by the statute of 8th of Anne the money allowance was raised to twelve shillings, but by a slight error in the calculation of the tables the weight of bread was reduced to 417 lbs.; and as this statute continued in force down to the year 1758, this accidental variation is the only one which for the long period of 556 years took place in the quantity of bread which was to be sold for the price of a quarter of wheat.”—*Report from Committee on Laws relating to the Assize of Bread*, 6th July, 1815, p. 5.

There is printed in the *Analytical Index to the . . . Remembrancia* (1878), p. 386, the petition of the Company of Whitebakers of London in 1620, asking for an increase of the allowance from 6s. to 8s., and giving, in an interesting table, their own version of the baker's necessary expenses per week, including the “teaching at school” of his children, the food and clothing of his family, and “his duties to the parson, the scavengers, for the poor, for watching and warding,” &c.

² *The Boke name and the Assyse of Breade, what it ought to weye after the pryce of a quarter of wheete, and also the Assyse of Ale, with all manner of Wood and Cole, lath, Bowrde and tymbre, and the weyght of butter and chese* (London: 1540), has been made accessible in E. W. Ashbee's *Occasional Facsimile Reprints*, No. vii. (1869), see B. M. 12205, L. 14(7). For the issue of 1638 (which first used Avoirdupois instead of Troy weight), see Report of House of Commons Committee on Methods practised in making Flour from Wheat, 1774. Compare also *The Assize of Bread*, by John Powell, Clerk of the Markets, first issued in 1600, and republished in 1621, 1626, 1630, 1632, 1636, and 1671; as quoted by Dr. Cunningham in his *Growth of English Industry and Commerce*, *Modern Times*, Part I., p. 318 (1903).

It may be of interest to note that in 1621 the bakers of York complained to the Privy Council that the magistrates would not allow them as much as was provided in the Elizabethan Assize of Bread; in answer to which the mayor and aldermen explained that the city was formerly supplied by country bakers at a lower price, but that, on petition of the city bakers, these country bakers had been excluded. Since that time the city bakers, presuming on their monopoly, had constantly importuned the magistrates to enlarge their allowances, which, in view of the loss suffered by the poorer folk by the exclusion of the cheaper country bakers, had been refused. See *Chapters in the History of Yorkshire*, by J. J. Cartwright (Wakefield; 1872), pp. 278–281.

ment of 1710, "had in many places been made, either of the said Assize, or of the reasonable price of bread."¹ At the instance of the Government, conveyed in the Queen's Speech of 1710,² a Bill was introduced to revise the law in the interests of the consumer, which was referred to a Select Committee, including all the members for London and Westminster, Middlesex, and Surrey. Against this Bill the bakers rallied all their forces. They declared that the price to be fixed by the justices in the manner contemplated by the Bill—either on the price of wheat or on that of flour, at their option—could not fail to be oppressive. Petitions poured in from the ancient guilds or companies of bakers of London, Norwich, Tewkesbury, Worcester, Warwick, Shrewsbury, and Coventry, as well as from unlegalised combinations of bakers in many other towns. There is evidence that the House of Commons, intent on protecting the consumer, paid but scant attention to these petitions. Nor would it consent to a clause requiring all corn brought to London to be sold in public market. What it enacted was a law enabling the justices, at their option, to base the price of bread either on that of wheat, or on that of flour. At the same time the baker's money allowance was raised to twelve shillings, and the number of pounds of bread reduced to 417. What the magistrates had to do was "to have respect to the price the grain, meal, or flour, whereof such bread shall be made, shall bear in the several public markets"; to ascertain thereby what was the contemporary local price of a quarter of wheat; to add to it the fixed baker's allowance of twelve shillings; and to compute the exact weight which a penny loaf should contain, in order that 417lbs. of bread should sell for precisely the sum so determined.³ The table thus constructed, termed the Assize of Bread, giving the weights of the several loaves to be sold for the customary prices, was publicly proclaimed by the justices from time to time, and it was a penal offence to sell bread in loaves of any smaller weight, or at any higher price. In this way the Legislature thought to ensure, in the words of the statute

¹ 8 Anne, c. 11 (1710).

² *An Account of the Care taken in most Civilised Nations for the Relief of the Poor, more particularly in times of scarcity and distress*, by Rev. Richard Onely (1772), p. 41.

³ 8 Anne, c. 18 (1710); House of Commons Journals, 14, 22, 28 February; 1, 2, 4, 11, 14, 16, 17, 29 March; 8 April, 1710. The Act was a temporary one, but was continued by 1 George I. c. 26 (1714), which for the first time authorised the well-known quartern loaf; by 5 George I. c. 25 (1718), 10 George I. c. 17 (1728), and 8 George II. c. 29 (1780). See *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1811), and the *Review of the Statutes and Ordinances of Assize, 1202—1797*, by G. Atwood (1801).

of 1710, a "reasonable price of bread, and to prevent covetous and evil-disposed persons, for their own gain and lucre, from deceiving and oppressing Her Majesty's subjects, especially the poorer sort."¹

Whether the Assize of Bread ever produced the effects intended, or gave satisfaction both to the bakers and the consumers, we are unable to say. But it seems clear that, throughout the eighteenth century, it was a source of constant irritation. The county justices, we infer, seldom troubled to set the Assize at all,² it being assumed that, in the rural districts, it was customary for each household to make its own bread. In the corporate towns the Assize continued long to be formally set, but it was evidently less and less observed, and we very seldom find any mention of prosecutions. In the City of London it gave rise to constant complaints, rising, at the end of the eighteenth century, into a prolonged wrangle, which led eventually, in 1815, to the entire abolition of the Assize within the metropolitan area. For the rest of the country, the system was not finally abolished until 1836. The practical failure, and ultimate abandonment of the Assize of Bread, is, we think, to be ascribed, not to any shortcomings of the justices, but to the strangely incompetent way in which the Legislature dealt with the subject. What Parliament tried to accomplish was not, as is often supposed, to fix the price of bread, but merely to fix the relation which it should bear to the current market price of wheat; and even this easier problem proved too difficult for the administrative capacity of the eighteenth century.

¹ 8 Anne, c. 18, preamble (1710).

² In 1761 a writer in the *London Chronicle*, observing that "the salutary regulations of the Legislature concerning bread exposed to sale in cities and corporations have been long experienced," petitions Parliament, "in the name of the many thousand rural housekeepers in England . . . for some law respecting the bakers in the country, who are now almost unregulated" (*London Chronicle*, 24 December, 1761).

The definite ascertainment of the price of corn was required for the execution of the Corn Laws. By an Act of 1685, amended in 1729 and 1732, the justices in quarter sessions were required to "settle" the price of corn, and make a return of the price, so ascertained and determined, to the local officer of Customs, for his guidance in executing the laws as to importation. The statistics obtained were highly valued by contemporary economists. Chalmers, in his excellent *Estimate of the Strength of Great Britain*, says "had these laws produced no other benefit to the country than establishing an effectual mode for ascertaining the average price of corn, and thereby preventing causeless alarm, they had merited the praise of most useful regulations." (See *An Inquiry into the Corn Laws, &c.*, by Alexr. Dirom (Edinburgh; 1796, p. 193.) The statistical methods employed were, however, very imperfect; so much so that Arthur Young declared, in 1800, that "the corn returns at present are in every degree inadequate" and misleading. He recommended that the justices in quarter sessions should state what the price

Perhaps the principal cause for the dissatisfaction during the eighteenth century, with an institution of five centuries' standing, was connected with a change in industrial organisation, which really made impossible the whole system on which the Assize of Bread was based. The mediæval legislation had assumed a simple transaction in which the baker, buying the wheat from the farmer, had it ground by the miller, and made the whole of the resultant flour into three different kinds of bread. Hence, down to 1710, "the charge of the grinding and dressing the corn into meal and flour was included in the Assize, which was set upon bread from the price of wheat."¹ But during the seventeenth century there had begun to grow up a class of capitalist millers, who no longer acted merely as the agents of the bakers, but who themselves bought wheat, ground it into meal and flour, and sold the products separately in whatever sorts they chose, at whatever prices they could obtain for the several qualities. Cromwell had sought to meet these new conditions by requiring both millers and bakers to take out licences, and thus become amenable to disciplinary regulation.² This extension of the licensing system was not, we think, effectively enforced, and was not reimposed at the Restoration. Meanwhile, the capitalist millers increased in number and influence. It was in vain that Parliament endeavoured, in 1710, to secure that all three sorts of bread should be made exclusively from the best wheat. It suited the miller to divide the products of wheat into new and different classes, and to sell these separately. The result was the production, on the one hand, of finer and whiter flour than had been customary,³ and, on the other, of coarser and darker sorts. This led to a change in public taste, which has ever since continued. In London especially, there arose a demand for the very whitest of bread. The old standard wheaten flour, regretfully observed Governor Pownall, had, by 1735, been laid aside, and "while the rich were pampered, the poor man's bread, made of stuff from which too

had been in the preceding quarter. (*The Question of Scarcity plainly stated, &c.*, by Arthur Young, 1800, p. 72.)

A complete organisation of public statistics of corn supply was advocated in *Thoughts on the Corn Trade* (1800).

¹ Report of House of Commons Committee on the methods practised in making Flour from Wheat &c. ; House of Commons Journals, 8 May, 1775.

² Ordinance of 1650, see *Considerations on the Scarcity and High Price of Breadcorn and Bread*, by Governor Pownall (Cambridge: 1795), p. 49.

³ "In 1745 fine flour from Hertfordshire was retailed in Norwich, before which time a coarse household flour, inferior to meal, was the general bread used in the city and country."—*A Practical Inquiry into the Number, Means, Employment, and Wages of Agricultural Labourers*, by Rev. C. D. Brereton (Norwich: ? 1825).

great a proportion of the flour had been taken, and which had not the heart of wheat in it, had not the nourishment in it which it ought to have.”¹ Meanwhile the London bakers, forced to take whatever sorts of flour the millers manufactured, declared that they could not produce the extremely white bread demanded by their customers, at the price allowed by the Assize. Already, in 1713, we find them bitterly complaining of the actions brought against them by informers, and appealing to the sympathies of their fellow-tradesmen in municipal office. “What induces you,” their spokesman asked, “to countenance a pack of mercenaries, that make it their sole business to vex, trouble, and persecute your fellow-citizens, only for serving their customers with such bread as they want and demand?”² In 1735 the complaint was seriously taken up by the Bakers’ Company of the City of London, which attributed the difficulty of the bakers to the defective manner in which the prices of wheat were taken. In the Company’s petition to Parliament they represented “that the mealweighers, who were officers appointed to bring in the prices of wheat to the magistrates, in order to fix the Assize of Bread in the City of London, made their cockets, or returns of the prices of three different kinds of wheat, as sold at the market of the Bear Key [Quay] only; from which three prices of wheat, the Assize of three sorts of bread, distinguished by the names of white, wheaten, and household, was always ascertained; and that the best kind of wheat at Bear Key was generally sold in parcels with wheat of an inferior quality, at one common price, so that the mealweighers were not able to distinguish the true and real price of the best kind of wheat. And that for the first sort of bread in the Assize table, distinguished by the name of white bread, petitioners used only the finest part of the flour produced from the choicest kind of wheat, collected not from Bear Key only but from all the adjacent markets, and even such selected wheat afforded but a very small quantity of that sort of flour. . . . and that the best kind of long bread . . . was made entirely from the first sort, and that the petitioners think the price of white bread ought to be advanced in proportion.”³ A Committee of the House of Commons held that they had proved their case, but failed to propose any more acceptable remedy than the fixing of an assize of flour as well as of bread.⁴

¹ Governor Pownall, in *Annals of Agriculture*, Vol. IX., 1788, pp. 566-7.

² *The Baker's Vindication, a short narrative of Modern Justice* (1713), p. 6.

³ *Gentleman's Magazine*, August, 1757, p. 447.

⁴ *Ibid.*, p. 605; referred to in the subsequent report of House of Commons

With the great and sudden rise of prices in 1757,¹ there came, on the one hand, a whole crop of complaints of the adulteration and inferior quality of the household bread,² which can hardly have been quite without foundation. On the other hand, it was alleged, apparently quite erroneously, that the best bread demanded by the well-to-do classes, especially in London, absorbed too much of the nutritious part of the grain—the very “heart of the wheat,” it was said—leaving only the “offal” for the poor. It was “the wantonness” “and luxury of men,” that made the millers “go into various divisions of meal. . . . The pride and luxury of the rich, administered to by the craft and mystery of the millers and bakers, have been perpetually employed to subvert or to evade their regulation.”³ The outcome of this opinion was a revolutionary alteration in the law. Instead of the three grades of bread, into which the whole meal of wheat was to be made, Parliament determined, in 1758,⁴ at the instance of Alderman Dickenson, M.P., a London lawyer, “upon pretence of improving the quality and reducing the price of bread in favour of the poor,”⁵ to legalise

Committee on the methods practised in making Flour from Wheat, 1774; *Review of the Statutes and Ordinances of Assize, 1202–1797*, by G. Atwood (1801), p. 18; *Considerations on the Scarcity and High Price of Breadcorn and Bread*, by Governor Pownall (Cambridge: 1795), p. 36.

¹ “A famine year,” Thorold Rogers calls it. An Assize of Bread for Bath for this year, given in *Lying Detected*, by Emanuel Collins (Bristol: 1758), p. 76, shows the penny loaf of white bread to have weighed only 4 oz. 14 dwt.; which may be compared with the printed notice in the British Museum of the Assize set at Grantham (Lincolnshire) in the terrible year 1812, by which the penny loaf had to weigh 4 oz. 6 dwt.

² *Observations on the Shameful Adulterations of Bread*, by Dr. Manning (1757); *Poison Detected, or Frightful Truths and alarming to the British Metropolis, in a Treatise on Bread*, Anon. (1757); *Syhoroc, or Considerations on the ten ingredients used in the Adulteration of Bread*, by Peter Markham (1758); *The Nature of Bread*, by James Manning (? 1757), and *A Dissertation on Adulterated Bread, and the great benefit of Hand Mills*, by P. M. (1758). To these the bakers replied by *A Modest Apology in Defence of the Bakers*, by Sampson Syllogism (1757); *Lying Detected*, by Emanuel Collins (Bristol: 1758), and *An Essay on Bread, wherein the Bakers and Millers are vindicated*, by H. Jackson (1758). Ground horsebeans, peas, and coarse compound barley were used to eke out wheaten flour (*Gentleman's Magazine*, December, 1741). The use of alum was admitted to be usual, in order to obtain the extreme whiteness demanded by the public taste, but it was denied that chalk, lime, whitening, and burnt bones were ever employed. It was said in 1773 by Jonas Hanway, that alum began to be used in bread about 1748 (*A Letter upon occasion of the Public Enquiry concerning the most fit and proper bread to be assized for general use*, by J[onas] H[anway], 1773, p. 77).

³ Governor Pownall, in *Annals of Agriculture*, Vol. IX., p. 564.

⁴ 31 George II. c. 29. A supplementary Act, 32 George II. c. 18 (1759), gave to the informer half the penalties and forfeitures under the 1758 Act.

⁵ *Important Considerations upon the Act 31 George II., relative to the Assize of Bread* (1758), p. 2; *Considerations as to the Scarcity and High Price of Breadcorn and Bread*, by Governor Pownall (Cambridge: 1795), p. 87.

two grades only, which, by an Act of 1762,¹ were ordered to be marked W. (for wheaten), and H. (for household), respectively. By the Act of 1758, which repealed all the old statutes and codified the law anew, the number of pounds of bread to be sold from a quarter of wheat was reduced from 417. to 365, thus allowing a greatly increased margin to the baker, to enable him to comply with the law. Another innovation was the authorisation of "prized loaves" (of fixed weight, at a varying price), as an alternative to the immemorial "assized loaves" (of varying weight, at a fixed price).² The baker had, however, to choose one form or the other, and was not allowed to have both in the same shop.

Meanwhile, as Horace Walpole complains, "A more inconvenient reformation, and not a sensible one, was set on foot by societies of tradesmen, who denounced to the magistrates all bakers that baked or sold bread on Sundays. Alum, and the variety of spurious ingredients with which bread, and indeed all wares, were adulterated all the week round, gave not half so much offence as the vent of the chief necessity of life on the seventh day."³

In the result the price of bread rose considerably, though whether or not more than in proportion to the rise in wheat is not clear. The Act of 1758 had, in fact, thrown everything into confusion, "by changing the species, price, and quality of the bread. . . . The cornfactor, mealman, miller, and baker," it was said in 1767, "all found means to make exorbitant profits in consequence of this Act. . . . Every art has been constantly employed to elude the effect of this discovery."⁴ Parliament had intended that the millers should make the whole meal of wheat into two grades of flour only, corresponding to the two kinds of bread which it legalised. But the millers never made the new grades of flour, and continued to supply such different qualities as they chose. The mealweighers of the City of London, it was officially reported, went on for fourteen years returning the prices

¹ 3 George III. c. 11.

² *Review of the Statutes and Ordinances of Assize, 1202-1797*, by G. Atwood (1801), p. 26. The "prized loaves" have since been chiefly used, the common sizes being the "peck loaf" (as the supposed product of 2 gallons, or 14 lbs. of flour), weighing about 17 lbs. 6 oz.; and its subdivisions, the half-peck, the "quartern," and the half-quartern.

³ *Memoirs of the Reign of King George the Second*, by Horace Walpole, 1846, vol. III. p. 98. He adds elsewhere: "The Archbishop of Canterbury . . . was showing great management for the Methodists, so far as to enter into their superstitious prosecution of the bakers for baking on Sundays" (*ibid.*, p. 180).

⁴ *Gentleman's Magazine*, November, 1767.

of "firsts" flour only (called "household" flour), and these prices were made the basis for setting the assize of "wheaten" bread.¹ Yet the lower grades of flour were certainly used in large quantities. "The price of bread," it was said in 1767, "is at this time too high, and this may be easily accounted for. The bakers by law are obliged to make wheaten bread of the best flour; and it may reasonably be admitted that three-quarters of the bread consumed in this city [London] is wheaten. . . . But not a quarter part of the wheat used can be honoured with this appellation; of consequence, therefore, three-quarters of the wheaten bread consumed must be produced from flour of an inferior quality. And Mr. Hanway has abundantly proved, even supposing wheat at a medium of 48s. per quarter, that bread can be afforded much under the present price."² To meet this situation, the Act of 1758 was, in 1772, repealed, and the statistical basis of the statute of 1710 was reverted to, with the addition of specific directions as to the manner in which the millers were to dress the flour.³ This Act allowed a third kind of bread to be made, the loaves of which were to be marked S.W. (for standard wheaten), and it empowered the justices of the peace to prohibit, if they thought fit, the sale of any bread of superior quality.⁴ Great things were expected from this complete reform of the Bread Laws, and the new statute was, by order of the justices in quarter sessions, widely advertised in the various newspapers. But it gave no more satisfaction than the previous law; indeed, some of its provisions proved to be obscure and even self-contradictory, so that they seem never actually to have been put in force.⁵

In this dilemma the argument in favour of leaving the trade to

¹ Report of House of Commons Committee on the methods practised in making Flour from Wheat, 1774.

² *British Chronicle*, 17-20, July, 1767. Among the ablest pamphlets of this period is that entitled *Observations and Examples to assist Magistrates in setting the Assize of Bread* (1759 and 1766), ascribed by Governor Pownall to Charles Smith, author of *Three Tracts on the Corn Laws*, one of the greatest "mealmen" or millers of his time.

³ 13 George III.

⁴ Report from Select Committee on Laws relating to the Assize of Bread, 1815, p. 5.

⁵ The Devonshire justices, in conjunction with those of the City of Exeter, in 1773, made an order under the Act that no finer bread than "S. W." was to be made. The millers thereupon changed their bolting cloths, and made what they termed "Parliament Flour," which was about equal to "seconds." An experiment was tried by a committee of three justices, one miller, one baker and one farmer, which convinced the justices that their order was justified, as the new grade of flour yielded good bread, and even "went further" than the finer grade. The order was accordingly renewed, and copied by other county benches. (Report of House of Commons Committee on the methods practised in making Flour from Wheat, 1774.)

complete freedom of competition began to be urged. "I have long been of opinion," writes one man in 1767, "that were the laws of assize to be abrogated entirely, bread would be much cheaper and much better. A baker's business would then entirely depend upon the goodness and quantity of the commodity he sold. The bakers are at present cramped by the assize from gaining more than a certain profit fairly. It is, therefore, much to be feared that many endeavour to enhance their profits by unfair means, which is only to be done by selling bread apparently good, and of due weight, but in effect reduced by fraud and cunning, below the just standard by artifice."¹ But Parliament could not bring itself to take this course. In 1774—5 a Select Committee, in which Governor Pownall took a leading part, sought once more to fit the system of the Assize of Bread to the new conditions. "The setting an assize on bread," they reported to an assenting Legislature, "and the fixing a rate upon the labour, pains, livelihood, and profit of the baker, so long as the miller or mealman is at liberty to make what sorts of flour he shall please, and to affix thereunto what price he shall in like manner please for his labour, pains, and profit, is either impracticable, or a great burden to the poor labourer, mechanic, and manufacturer. . . . The evils arising from there being no restraint either with respect to the sorts of flour that are made, or to the prices at which they are sold, may be remedied by setting such an assize upon flour as shall be found just and reasonable, with respect to the average market price of wheat. . . . The whole flour of wheat is, in general, as it hath always proved to be, in weight, nearly three-fourths part of the weight of the middling grain. . . . According to the ancient custom of the land, every twentieth grain, or five per centum of the weight of the wheat, is full and sufficient toll for the miller's labour, pains, livelihood, and profit. . . . Every miller, if the law does not at present oblige him so to do, should, under certain restrictions, be obliged to grind and dress all such wheat as shall be brought to his mill, by any person requiring the same. . . . Forty-two pounds avoirdupois of the whole flour, when sold at the mill, is equal in value to the middling price of a Winchester bushel of middling wheat at the same time. . . . The magistrates . . . who are by the laws now in being authorised and empowered to set the assize and fix the price on bread, should be authorised and empowered to fix the price of flour . . . and to prohibit, if

¹ *British Chronicle*, 9-12 Oct., 1767.

they think fit, any flour purporting to be of a superior quality and sold at a higher price than the whole flour of wheat from being made for sale, or sold at a higher price except for the purposes of making such small bread as may then be allowed (by licence under the hand and seal of such magistrate), or for the purpose of pastry and confectionery. The magistrates should be empowered to order, if they think proper, that no miller or mealman shall use during the continuance of such their order, any bolting cloth finer than 6 feet in length and 6 feet 7 inches in breadth at the head, and 6 feet broad at the tail, composed of woollen cloth, and weighing one pound when new, having 32 threads to the inch in the warp, and 28 threads to an inch in the shoot nor any finer wire sieve or machine than that which consists of 42 wires to an inch both ways." ¹ But though Parliament was not yet prepared to abandon the Assize of Bread, it could not bring itself to fix the price or regulate the making of flour, and the elaborate Bill, founded on the report of this Committee, failed to become law.² There was a good harvest, and prices fell. The justices of the peace were, apparently, left to their option of setting the Assize of Bread as heretofore, if they thought fit, irrespective of the notorious and flagrant disregard of their orders by the bakers in London and elsewhere. Their task was made the more difficult by the perplexing variety of weights and measures in common use. "Bread is sold," Arthur Young noted, "in all corporate towns by the pound troy, in all other places by the avoirdupois pound. . . . Magistrates are very much embarrassed to fix the assize of bread from the variety of customary measures, for they are confined to the average price of corn and the Winchester bushel: hence the assize, where large customary measures obtain, is necessarily favourable to the baker. This is an evil of a very serious magnitude." ³

Our impression is that, from this time forth, at any rate, the justices more and more discontinued the setting of the Assize

¹ House of Commons Journals, May 8, 1775. See the long and interesting account of this Committee and its work, written by Governor Pownall in 1788 for the *Annals of Agriculture*, Vol. IX., pp. 557-628 (replied to by a miller in Vol. XII., pp. 173-186); and his *Consideration on the Scarcity and High Price of Breadcorn and Bread* (Cambridge: 1795), p. 40.

² It passed the House of Commons, but, said Governor Pownall in 1788, "for want of the assistance of Government it did not pass the Lords." It was not re-introduced in 1776, owing, no doubt, to the fact that prices fell. *An Examination of the Statutes now in force relating to the Assize of Bread*, by James Nasmyth (Wisbech: 1800), p. 74. Wheat in 1776 was only 38s. 2d. per quarter.

³ *Annals of Agriculture*, Vol. XIV. (1790), p. 275.

of Bread, even in corporate towns, and that in the places in which the form of the law continued to be gone through, it became almost a dead letter.¹

The high prices of 1794—1795 brought the Bread Laws once more prominently into public notice. The bad harvest and severe winter of 1794 made it probable that the stock of wheat would not suffice for the needs of the population until the ensuing harvest. When this also proved unfavourable, what was almost a panic spread all over the country. From the King on the throne, and the two Houses of Legislature, down to the smallest parish and the most remote county, the idea circulated that the consumption of wheaten flour was everywhere to be restricted by at least one-third. An influential House of Commons Committee recommended that "an engagement" to this effect should voluntarily be entered into by all heads of households.² Accordingly, during the years 1795—6, we find almost every public body, whether vestry or statutory commissioners, town council or quarter sessions, right up to the Privy Council and Parliament itself, voluntarily agreeing, by formal resolution, to restrict their personal consumption of wheat.³ The constant reiteration, in almost every set of minutes of the year 1795—1796, of this curiously sentimental "self-denying ordinance," affords an interesting example of the essential solidarity of English society, from the King in his council, down to the parish beadle. Some-

¹ Capel Loft, the well-known correspondent of Arthur Young, describes in detail, in the *Annals of Agriculture* for 1793 (Vol. XXI, pp. 568), a revival of the Assize in the Blackbourn Hundred of Suffolk, between 1780 and 1790, and again in 1793, giving the exact form of the justices' order of Oct. 25, 1793. It was clearly at this time an unusual thing for an Assize to be set in rural districts, and Arthur Young, in an editorial note (p. 565), expresses his doubt of its wisdom.

² Third report from the Select Committee to take into consideration the present high price of corn, 1795; printed in Dr. Cunningham's *Growth of English Industry and Commerce*, *Modern Times*, Part II. p. 710 (1903).

³ Such a resolution seems to have been passed as early as Jan. 1, 1795, by the Vestry of Woolwich, see MS. Vestry Minutes of that date, and Vincent's *Records of the Woolwich District*, Vol. I., p. 167; within a month it was passed by the Select Vestry of St. Nicholas, Newcastle-on-Tyne, see MS. Vestry Minutes, Feb. 2, 1795; the justices of Buckinghamshire were passing the same a few months later, see MS. Minutes, Quarter Sessions, Midsummer, 1795; similarly the grand jury and justices at the Leeds Borough Quarter Sessions, see *Leeds Intelligencer*, July 27, 1795; at the instance of a Select Committee on Dec. 11, 1795, the House of Commons and, five days later, the House of Lords made the same resolve (third report from the Select Committee on the High Price of Corn, Dec. 1795); at the Epiphany Quarter Sessions, 1796, many county benches followed their example (see MS. Minutes, Quarter Sessions, Middlesex, Jan. 14, 1796; ditto Buckinghamshire, Jan. 1796; ditto Sussex, 1795), as well as innumerable other bodies (see MS. Vestry Minutes of Woolwich, Jan. 22, 1796; of St. Paul's, Deptford, Jan. 28, 1796). This policy was strongly recommended by philanthropic pamphleteers; see, for instance,

times it was resolved to use no wheaten flour unless mixed with one-third of "some other wholesome ingredient," such as barley, oats, or rye, sometimes the use of flour for any other purpose than food (meaning especially hair-powder) was forbidden; sometimes, again, it was agreed to use no bread that had not been baked for at least twenty-four hours, as this, apparently, "went further" than new bread. The parish constables were in some places again given orders to "present" any persons selling any bread made of finer flour than that prescribed by the statute.¹ Meanwhile, public opinion demanded the enforcement of the Assize of Bread. "If Government," said one journal, "cannot diminish the real scarcity, they may at least prevent the distress being doubled by taking care that the bakers do not, as is the case at this moment, diminish the weight of their bread beyond what the advance on corn will justify."² A Bill to amend the law relating to the Assize was "brought in" by the Ministry,³ but never even got printed. The setting of the Assize was resumed in some towns in which it had been discontinued.⁴ There were, in London, at any rate, a few prosecutions of bakers who made their penny loaves too small.⁵ On the other hand, there was also a movement for a relaxation of the law.

The Privy Council, desiring "to enable the people of this country to purchase and eat bread made of the whole flour of wheat, called Standard Wheaten Bread, dressed in the proportion mentioned in the Act of 1773, or an inferior sort of bread, made wholly of wheat or of wheat mixed with the flour of other grain," solemnly consulted the Law Officers of the Crown, whether the magistrates could legally authorise the selling of bread of lower quality than that referred to in the Assize, or how they could

An Address . . . on the Present Scarcity and High Price of Provisions, by Rev. Septimus Hodson, 1795.

¹ Thus, the constables in Buckinghamshire were asked "Do the several bakers in your parish or hamlet . . . bake and sell any finer bread than the Standard Wheaten Bread? If yea, say who they are, and to whom, and the time when they sold the same."—MS. Minutes, Quarter Sessions, Buckinghamshire, Midsummer, 1795.

² *Sunday Reformer*, March 22, 1795.

³ House of Commons Journals, Nov. 8, 1795.

⁴ An Assize of 1795 is printed in the *History of the Landed Interest; Modern Period*, by R. M. Garnier (1893), p. 321. It was set both at Winchester and at Basingstoke in 1796 (*Observations on Forestalling, Regrating and Ingrossing*, by J. S. Girdler, 1796, pp. 301, 304).

⁵ "Two of the constables belonging to the police office in Lambeth Street, in consequence of a warrant granted to them for that purpose, seized at the shop of one William Moon, in Whitechapel High Street, about 90 loaves of bread exposed there for sale, which were brought before the sitting magistrates at the said office, and weighed, and found to be deficient 182 ounces."—*Public Advertiser*, July 6, 1795.

set the Assize of such bread at a price which would enable the baker to sell it at a profit.¹ Apparently the opinion was unsatisfactory, for, in December, 1795, a Bill was hurriedly passed into law "to permit bakers to make and sell certain kinds of (mixed) bread," to be marked on each loaf with the letter M.² We need not dwell on the failure of all this action appreciably to influence the price of wheat. It is, indeed, doubtful whether, in the long run, any economy in the consumption was produced. There was so much prejudice against the mixed bread, and it was so unpalatable, that in all households much was thrown away and wasted. The mass of the labouring people—largely out of mere prejudice and suspicion, but partly also out of an instinctive clinging to their standard of life—flatly refused to eat the new kind of bread which their betters had devised for their consumption. The people of London, in particular, obstinately insisted on the whitest of bread.³ "In spite of all remonstrance," said Francis, in an interesting speech in 1795, "the poor would eat nothing but the whitest wheaten bread. If one baker refused to supply them with it, they went to another. . . . The bakers . . . assured me . . . they had never in any equal period sold so much white bread to the poor as whilst we were eating a coarser sort ourselves." It was impossible, he explained, "to act with unwilling instruments, to contend with unwilling millers, unwilling bakers, unwilling servants, and, above all, with an unwilling poor."⁴ In this state of public feeling, an old suggestion of Jonas Hanway's was revived, and it was urged that Parliament should prohibit the making of more than one sort of flour, and one kind of bread. "The first great object at the present crisis," wrote a philanthropic Irish peer, "is to legalise only one species of bread, composed of the whole heart of the wheat, of the substance of the hull or bran also, without any unnecessary refinement or subtraction."⁵ Meanwhile the bakers,

¹ MS. Acts of the Privy Council, July 10 and 15, 1795 (George III., Vol. 36, p. 412).

² 36 George III. c. 32 (1795); see House of Commons Journals, Dec. 9, 10, 16 and 18; House of Lords Journals, Dec. 23 and 24, 1795.

³ *A Short Enquiry into the Nature of Monopoly and Forestalling*, by Edward Morris (1796), p. 36.

⁴ Hansard, Dec. 16, 1795. Mixed bread was generally sold to the poor at 9d. per quartern loaf, when wheaten bread was 1s. 1½d. per quartern (*A Friendly Address to the Poor of Great Britain on the Present Scarcity of Wheat and Dearness of Wheaten Bread*, by Thomas Tapwell, 1796, p. 10).

⁵ *Impartial Reflections on the Present Crisis*, by Viscount Mountmorres (1796), p. 15.

as one of them subsequently relates, found that "the discretionary power vested in magistrates . . . began to operate in a very unpleasant manner, for as the wheat continued to advance, the bakers in many places found the price of bread set so low that frequently they were not allowed enough to pay for manufacturing, and in many cases were considerably out of pocket. In London the bakers felt severely, which led them to remonstrate with the Lord Mayor."¹

The authorities of the City of London had continued regularly to set the Assize, but had found it more and more difficult to secure its observance. In 1792 they had, after much controversy, taken the amendment of the law into their own hands, and in consultation with the bakers themselves, and quite without legal authority, "formed an Assize table adapted to the price of flour, according to which the twenty peck loaves are sold for the price of the sack of flour from which they are made, and one allowance only of the magistrate for making them, which allowance was fixed at ten shillings per sack, or two shillings for four peck loaves."²

This virtual supersession of the law, which was copied in some other places, did not long satisfy the London bakers. When prices rose in 1794—5, they found the allowance too small. The City authorities refused to increase it. The bakers resorted to the device of lowering the quality, mixing "thirds" and "middlings" with the best flour, and securing the necessary whiteness by alum.³ Presently, as a member of the trade subsequently relates, a deputation of the leading London bakers "waited on Mr. Pitt, and after stating to him their grievance, declared that if relief was not afforded them, they must shut their ovens, for they could not give their labour and property to the public. That great statesman then replied, 'Gentlemen, do not resort to so desperate a measure, you shall have relief.' This account I received from the lips of one of the deputation. An Act was therefore soon passed, in 37 George III., for London and

¹ *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1814), p. 26.

² *Observations on the Statute of 31 George II. c. 29, concerning the Assize of Bread*, by Rev. Luke Heslop (1799), p. 4; *An Examination of the Statutes now in force relative to the Assize of Bread, with remarks on the Bill intended to be brought into Parliament by the Country Bakers*, by James Nasmyth (Wisbech: 1800), p. 42; *Review of the Statutes and Ordinances of Assize, 1202-1797*, by G. Atwood (1801), p. 23.

³ Johnson's *British Gazette*, Oct. 15, 1797; *Impartial Reflections upon the Present Crisis*, by Viscount Mountmorres (1796), p. 16.

ten miles round, repealing the discretionary power, and giving bakers a fixed sum of fourteen shillings on the quarter of wheat.”¹ The country bakers then formed a national organisation, with a view to obtaining a similar measure. Bill after Bill was introduced, but the House of Commons flatly refused to accept the Assize table which they submitted.²

The times were, in fact, not propitious for any relaxation of control over the bakers. The terrible dearth of 1800 led, among other ills, to a great falling off in the quality of the bread supplied to the poor. The old complaints of noxious adulteration were revived. “During most of that very dear summer,” a contemporary annotator tells us, “the bakers in Bristol supplied nothing but stinking bread and damaged flour.”³ The terribly high prices of that year led to a renewed attempt to cope with the deficiency of wheat. Committees of the House of Commons sat in anxious consultation, but could find nothing better to recommend than a prohibition of the sale of new bread, on the ground that people ate twenty per cent. more of it than of stale bread⁴—surely the most extraordinary panacea ever propounded for a starving people—and the issue of a royal proclamation enjoining a universal restriction of consumption of wheaten flour by at least one-third, the limitation of consumption to one quartern loaf per head per week, and the giving up of pastry, to be secured by the voluntary engagements to this effect.⁵ This proclamation was

¹ *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1814), p. 26. This Act of 1797, applying only to London and ten miles round, was amended by 45 George III. c. 23 (1805), the bakers' allowance being increased to 16s.

² *Observations on the Statute, 31 George II. C. 29, concerning the Assize of Bread*, by Rev. Luke Heslop (1799), p. 3; *An Examination of the Statutes now in force relating to the Assize of Bread*, by James Nasmyth (Wisbech: 1800), pp. 52-7; *Review of the Statutes and Ordinances of Assize, 1202-1797*, G. Atwood, 1801, p. 52.

³ MS. annotation on a handbill of 1800 entitled *Public Villainy Exposed, or the discovery of the different adulterations and poisons in bread*, by Dr. M. (1800); a worthless reproduction of a publication of forty years back.

⁴ “Notwithstanding all regulations to the contrary, it is certain that the baker still continues to mix thirds and middlings with the best flour, although in lesser proportions than formerly, for fear of detection; the profits of which cannot be less to him than ten shillings a day” (*Johnson's British Gazette*, Oct. 15, 1727). The possible lowering of price which the Assize secured was thus off-set by lowering of quality. Bread was asserted to be better in small villages “that have never been regulated by an Assize . . . than in London, Edinburgh, or any of our towns in which the price of bread is fixed by an Assize” (*Annals of Agriculture*, p. 552, 1802).

⁵ First Report from Committee on the Assize and making of Bread, Feb. 10, 1800; Second, ditto, March 6, 1800; see Hansard, Vol. 34, p. 1430.

⁶ First Report from Committee as to the High Price of Provisions, Nov. 1800; MS. Acts of Privy Council, George III., Vol. 49, p. 211; Proclamation of Dec. 8, 1800, reprinted in Dr. Cunningham's *Growth of English Industry and Commerce*, *Modern Times*, Part II., p. 709-10 (1903).

sent, through the Home Secretary, to every Lord Lieutenant, Archbishop, Bishop, and Mayor in the kingdom. The Bishop of London sent it to the incumbent of every metropolitan parish, to be read in church, and considered by the vestry.¹ The justices in quarter sessions nearly everywhere acted on the power given to them by the Act of 1773, and made orders formally prohibiting the baking for sale or selling of any bread, "being or purporting to be of a superior quality, and sold at a higher price, than the Standard Wheaten Bread."² The Assize of Bread continued to

¹ MS. Vestry Minutes, Marylebone (Middlesex), Dec. 13, 1800. This led the Chelsea Vestry "earnestly to recommend the inhabitants" to abstain from the use of "pastry, puddings, and every other article of indulgence"; to consume no bread less than forty-eight hours old; and to deprive their horses of oats.—MS. Vestry Minutes, Chelsea (Middlesex), Dec. 23, 1800.

The Marylebone Vestry had previously concurred in the agreement entered into by the House of Lords "not to consume a larger quantity of wheaten bread, from this time till the 10th Oct. next, than in the proportion of one quartern loaf per week to each individual of our respective families, and totally to abstain from all pastry made of wheaten flour" (MS. Vestry Minutes, Marylebone, March 1, 1800). In the following October, they further agreed to economise the consumption by their own families of milk, butter, and cheese (*Ibid.*, Oct. 15, 1800).

The Kensington Vestry had already, in February, 1800, enjoined the parishioners not to use bread "until 24 hours after it was baked," and "not to use any pastry," whilst all parochial relief should be given in "soup, rice, and potatoes" (MS. Vestry Minutes, Kensington, Feb. 16, 1800).

The Hackney Vestry recommended also the withholding of beans from horses, more especially those kept for pleasure," or, at any rate, that "grinding the oats and splitting the beans" would make them go further (MS. Vestry Minutes, Hackney, Dec. 22, 1800).

² So for Northumberland, see MS. Minutes, Quarter Sessions, Jan. 16, 1800; for Lancashire, MS. Minutes, Quarter Sessions, Jan. 1800, and *Manchester Mercury*, Jan. 21, 1800; for Norfolk, MS. Minutes, Quarter Sessions, Jan. 15, 1800; for Middlesex, MS. Minutes, Quarter Sessions, Jan. 15, 1800; for *Hampshire, Reading Mercury*, Jan. 6, 1800; for the Kesteven Division of Lincoln, *Lincoln, Stamford and Rutland Mercury*, Feb. 14, 1800; for the Borough of Colchester, *Ipswich Journal*, Jan. 25, 1800; see also *Diaries and Correspondence of the Rt. Hon. George Rose*, by Rev. L. V. Harcourt (1860), Vol. I. pp. 280-5. These orders, we infer, failed to be enforced. The Northumberland justices promptly rescinded theirs (MS. Minutes, Quarter Sessions, Northumberland, March 5, 1800). Within ten days the Middlesex justices had climbed down. At their very next meeting they resolved:—"This Court . . . having been . . . informed that a "Committee of the . . . House of Commons has been appointed to investigate the subject, deem it inexpedient at present to proceed in enforcing the powers given by the said Act . . . but in consequence of the suggestions and information given by several respectable bakers attending, this Court think it a duty earnestly to recommend that bread should be kept at least 24 hours after the baking before it be used, as it appears a very considerable saving of consumption in this material article will be made thereby, and also to recommend to the serious attention of individuals as well as public bodies to exert themselves as much as possible in preventing the use of flour in pastry and to take every other method which may present itself to reduce the consumption of wheaten flour" (MS. Minutes, Quarter Sessions, Middlesex, Jan. 24, 1800). The medical men seem to have doubted the wisdom of the "whole meal" bread. "Some of us may remember," wrote a doctor thirty years afterwards,

be formally set by many county and borough justices. In the boroughs of Oxford and Exeter, and probably elsewhere, the Assize was maintained, at the cost of raising a fund by subscriptions with which to induce the bakers to continue their trade.¹ At Salisbury, finding the price of bread higher than it was in London, "the magistrates of the city . . . summoned the bakers to attend them at the Council Chamber," in order to discover by cross-examination how such an anomaly came about, and to fix a new price. "But of what avail could such an inquiry be," exclaims an indignant philanthropist, "when it is notorious that they had all assembled, in the evening of the day previous to such attendance, to agree upon the kind and degree of information which should be given on the subject?"² At Bath, in the winter of 1800—1, the Mayor set the Assize so low that the bakers could not possibly bake at a profit; and a deputation of bakers had to wait upon him and convince him that an alteration was required.³ The Gloucestershire Quarter Sessions defiantly ordered, in 1801, that "no other sorts of loaves of bread than the prized loaves, commonly called peck loaves, half-peck loaves, and quarter-peck loaves, shall be allowed to be made and sold in this county, and all such loaves shall weigh an avoirdupois weight as follows, viz., every peck loaf 17lb. 6oz., every half-peck loaf 8lb. 11oz., every quarter-peck loaf 4lb. 5½oz., and every half-quarter of a peck loaf 2lb. 2¾oz., and that this order be advertised in three different Gloucester journals and the *Bristol Gazette*." At Bristol during 1801, the Assize went on being formally set each week, by the Mayor in person.⁵ In 1896 we find the Suffolk Quarter Sessions regularly making orders "for regulating the Assize and making of bread."⁶ On the other hand, it began in some few places to be finally abandoned. It was discontinued at Newcastle (Northum-

"the serious effect produced, especially in London, in a time of scarcity, in the year 1800, by an Act of Parliament . . . which prohibited the dressing of wheaten flour further than the removal of its mere outer shell or husk of the grain. The consequences were so inconvenient as to render the hasty repeal of the Act absolutely necessary" (Dr. Carbutt's "Observations on a Comparative Statement of Diseases" in *North of England Medical Journal*, 1890, p. 29).

¹ *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1814), p. 27.

² *The Scarcity of Corn Considered*, by Rev. J. Malham (Salisbury: 1800), p. 34.

³ *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1813), p. vi.

⁴ MS. Minutes, Quarter Sessions, Gloucestershire, Michaelmas, 1801.

⁵ See *Bristol Times and Mirror*, March 22, 1881, and *Gloucestershire Notes and Queries*, Vol. II. pp. 2, No. CCCCLIX.

⁶ See for instance *Ipswich Journal*, Feb. 8, 1806. See, for both the law and the organisation of the corn trade, methods of baking &c., at this date, *A Treatise on the Art of Baking*, by A. Edlin (1805), an unpretentious and useful little book.

berland), in 1799;¹ at Portsmouth (Hants), in 1800;² and at Lewes (Sussex), in 1812.

The country bakers, in 1809, renewed their agitation for an alteration of the law, and obtained, in 1810, an Act slightly mitigating their grievances connected with the weighing of bread and Sunday baking.³ The distress of 1812 led to a renewal of the agitation, and, whilst the Privy Council prohibited the use of wheat or other food stuffs for the making of starch, hair-powder, or blue,⁴ the House of Commons referred the Bread Laws to a Committee presided over by Frankland Lewis. On the report of this Committee an Act was passed in 1813, which went far in the direction of meeting the bakers' complaints, and, at the same time, of rendering the Assize really practicable. The old tabular basis and bakers' allowance were both abolished. If the magistrates chose to set an Assize at all, they were to appoint an officer, the Receiver of Assize Returns, to receive weekly the returns of wheat and flour sold in the particular locality, distinguishing between the three different grades of wheat and flour which the baker used for wheaten, standard wheaten, and household bread, respectively. Then the Assize might, if thought fit, be set for each grade, after allowing a certain fixed sum for grinding and for baking, in exact correspondence with the price either of the wheat or of the flour out of which it was made.⁵

Meanwhile, the amended regulations on which the Assize was set in London were being found no more satisfactory than those which they had superseded. Whilst the bakers contended that they were harassed, the public complained that the effect of setting the Assize was actually to raise the price of bread. It was found that many cutting bakers advertised that they sold at rates lower than those fixed by the Assize. If they made their loaves

¹ Report from Committee on the Laws relating to the Assize of Bread, 1815, pp. 146-8.

² See the notice by the Town Clerk, printed in *Observations on Forestalling and Regrating*, by J. S. Girdler (1800), p. 111. The Portsmouth and Gosport bakers had flatly refused to bake, and the borough justices preferred to give up the Assize altogether (*An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1814), p. 27). The public notice of the Town Clerk to this effect is printed in *Observations on Forestalling, Regrating, and Ingrossing*, by J. S. Girdler, (1800), p. 111.

³ 50 George III. c. 73 (1810).

⁴ MS. Acts of Privy Council, Regency, Vol. III., Oct. 26, 1812; *London Gazette*, Oct. 24, 1812. The British Museum (1890, c. 4) has preserved a copy of the printed "Assize of Bread" fixed by the Lincolnshire justices at Grantham in 1812, whereby it was ordered that the penny loaf should weigh the extremely low amount of 4 oz. 6 dwt., or at the rate of about sixteen pence for the quartern loaf.

⁵ 53 George III. c. 116 (1813); *An Arrangement of the Bread Laws*, by C. Culverhouse (Bath: 1814), p. 31.

under weight, or adulterated them with alum and inferior food-stuffs, there was great difficulty in convicting them. Chandlers' shops sold loaves of short weight with impunity. In 1814 a Bill was brought in by Alderman Smith, M.P., which, whilst strengthening the law against adulteration and short weight, swept away all legal regulation of price.¹ The current of opinion among enlightened legislators was beginning to run decidedly in favour of freedom of trade; but so drastic a revolution was too much for the Legislature of 1814. Even Frankland Lewis, who wished "to try the experiment of suffering the price to find its own level," deprecated the sweeping away of a power to control it, which, "in time of scarcity . . . had preserved internal tranquillity."² Ultimately a Select Committee was appointed to go thoroughly into the question. This Committee presented, in 1815, an able report condemning the whole system of the Assize. A Bill was accordingly brought in and rapidly passed, applying only to London and ten miles round, granting practical freedom to the baker. Within the metropolitan area it was made lawful for the baker to use practically any kind of grain or potatoes that he chose (but not alum or other unwholesome adulterant), on condition that he marked all such mixed loaves with the letter M. His loaves were to be of certain specified weights, but they might be sold at any price he chose. Finally, he was not to bake on Sundays, except to a certain limited extent.³

Outside the metropolitan area the county magistrates went on, in many places, solemnly setting the Assize of Bread under the Act of 1813. In most of the ancient municipal boroughs, the Assize continued to be formally set by the mayor. Yet bread continued to be dearer than the public liked, or than the magistrates thought reasonable. The Norfolk justices, in 1815, came to the conclusion that it was the fault of the miller, and they therefore asked, as the House of Commons' Committee had done in 1735, and as Governor Pownall had vainly urged in 1775 and 1788, for an Assize of Flour to back up the Assize of Bread. Having had a calculation put before them, to show that the country baker made less profit per quarter of wheat than would have been allowed him had the Assize of Bread been set, and that the miller made a quite unnecessary profit, the magistrates assembled for

¹ Hansard, Vol. XXIX., Nov. 29, and Dec. 1, 1814.

² *Ibid.*, p. 637.

³ 55 George III. c. 49 (1815), a Local Act: Hansard, Vols. XXX. and XXXI.; Report from the Committee of the House of Commons on the Laws relating to the Manufacture, Sale, and Assize of Bread, June 6, 1815, reprinted in the *Pamphleteer*, Vol. VI.

Quarter Sessions passed the following resolutions, viz., "That the object of Assize on Bread is to enable the consumer to eat it at an expense proportional to the market price of corn. That this is defeated by millers who fix an uncontrolled price on flour in the intermediate stage between the grower and the baker. That as little skill and no capital are required in the trade of baking, competition will prevent inordinate profit. That as few situations are eligible for mills, and much science and great capital are necessary to carry on that trade, no competition exists to regulate the price of flour, but there is a monopoly destructive to the object of Assize. That the laws of Assize ought to be transferred from bakers to millers."¹

Gradually the setting of the Assize fell into disuse. The laws requiring the baker to make his peck and quartern loaves of full weight, were neglected, except where informers found them a source of profit. In some districts these informers caused the bakers much trouble. Some of the bakers in the districts just outside the metropolitan radius were even induced, by the threats of professional informers, "to enter into a sort of compromise with them, and to bargain, that, upon payment of a certain sum per month, they should be allowed, with impunity (so far as the informer of the district is concerned), to impose upon the public by selling their bread deficient in weight."² Complaints of this sort led to another elaborate inquiry in 1821, when the Committee reported emphatically in favour of freedom of trade. They had "no hesitation in recommending that the law relative to the sale of bread should, in future (or for one year, at least), impose no restriction as to the denomination of loaves or their weight. It has been perceived that, from the Act of 51 Henry III., which went the length of regulating the sale of provisions generally, the legislative restrictions then imposed have, from time to time, gradually abated. Competition has been found, in most cases, effectually to supply the place of legislative regulation. It is competition alone which now regulates the price of bread where no Assize is set. And Your Committee cannot discover any reason for supposing that it would fail upon trial equally to secure to the public a fair quantity of this, as of all other articles of subsistence which are sold by weight, generally without restriction."³ In

¹ MS. Minutes, Quarter Sessions, Norfolk, Easter, 1815; agreed to at the successive meetings, by adjournment, at Thetford and Holt.

² Report from the Select Committee of the House of Commons on the existing Regulations relative to the Making and the Sale of Bread, April 17, 1821, p. 14.

³ *Ibid.*, p. 5.

retaining the law forbidding adulteration, and that requiring every baker to weigh his bread on demand, the Committee of 1821 thought that Parliament would do all that was required. "When by these means," said the Committee, "facility has been afforded to the public to protect itself, it appears conclusive that the Legislature can do no more to secure it against imposition."¹ The "Bread Act" which followed in 1822 (3 George IV. c. 106), and which is still in force, finally abolished all regulation of weight or price, so far as London was concerned, but did not apply to the provinces. But the Assize of Bread had received its death-blow. Under the influence of the report of the Committee, which was widely circulated among the justices, and of the passing of the Bread Act for the Metropolitan area, the setting of the Assize was, we infer, discontinued by nearly all the county benches, and in many of the boroughs. Where it survived, it survived only in form, and we hear of no prosecutions for any infringement of the law. But not until 1836 did an Act of Parliament, practically identical in its terms with the London Act of 1822, finally abolish the justices' power to fix a maximum price for bread.²

SIDNEY AND BEATRICE WEBB.

¹ *Ibid.*, p. 5.

² 6 and 7 William IV. c. 37.

LONDON'S SHARE OF THE KING'S TAXES

THE course of public affairs brings up a variety of questions which involve an attempt to ascertain the quota pertaining to a limited area of the responsibility for the burdens of the realm. Recently a measure to set up an Education authority to deal with different grades of instruction within "the Administrative County of London" was occupying our legislators, and the cost at which such an Act as that will be administered is one of those questions which are much canvassed. The amount placed to the account of local rates is a very acute question closely watched; it is not so easy to tell how much of the expense of the Board of Education must be debited to London. Similarly, the share of London in the contributions to the King's Revenue, by means of taxes, duties, and other imposts, for imperial as distinguished from local purposes, is a very moot question. As inquiries are frequently made respecting this point, an attempt will be made in this paper to estimate the quota of the various items of the Public Revenue which may be deemed to be contributed by London. At the outset it should be made quite clear that our official returns give but little direct aid in the solution of the problem, and the conclusions which are offered here should be regarded as tentative only.

The revenue from taxation for the year 1901—2 was as follows :—

	Exchequer.	Local taxation.	Total.
Customs	£80,993,000	£210,090	£81,203,090
Excise	31,600,000	5,194,499	36,794,499
Estate, &c., duties.....	14,200,000	4,309,501	18,509,501
Stamps (exclusive of fee, &c., stamps).....	7,800,000	—	7,800,000
Land Tax.....	725,000	—	725,000
House duty	1,775,000	—	1,775,000
Property and Income Tax	34,800,000	—	34,800,000
 From taxes	 £121,893,000	 £9,714,000	 £131,607,000
(Posts and telegraphs.....	£3,957,044)		

Some notes on this table are required before an attempt is made to solve the question of London's contribution to the various sums shown. First of all, that portion of the gross revenue represented by the cost of working the Posts and Telegraphs is omitted, and only the profit from these services which was cast into the Exchequer is recounted. For similar reasons, the revenue from the Crown Lands, from the Suez Canal shares, and the Miscellaneous revenue from Fee Stamps and other contributions, principally through the various public offices (amounting in 1901—2 to £1,990,365), have been omitted, as the table is intended to show the burden from taxation laid upon the United Kingdom. In the table, as presented, the items of revenue transferred to Local Taxation consist as to the Excise of two sums, the one of the Excise Licences, amounting to £3,929,269, and the remainder of the Surtax on Beer and Spirits; and as to the Estate Duties, of £2,687,414, under the Finance Act, 1894, of £1,511,635 under the Agricultural Rates Act, 1896, and £110,452 of payments under the Tithe Rent-charge Rates Act, 1899. The total of £131,607,000 may be regarded as the sum raised by taxation in the United Kingdom; but the additional £3,957,000 profit of the Post Office must not be disregarded in the same connection. How much of this large total does London contribute?

Speaking generally, there is little known which can help us in this quest. The problem is to abstract from the revenue of the United Kingdom that which is drawn from London alone. The officers of the London County Council have done a little to appreciate the quantitative relation of London in this regard, but the basis of comparison is England and Wales only, and the attempt has been left, so far, in a very incomplete condition, doing little more than to suggest the problem. The inquiry a few years ago, into the financial relations of Great Britain and Ireland, offers a more promising field; for an essential part of the problem presented for solution to that Commission was to separate from the total revenue that which belonged respectively to England and Wales, to Scotland, and to Ireland. Since that Commission reported, Parliament has issued one or two papers annually, showing the revenue apportioned to the three principal divisions of the Kingdom. These papers have been prepared officially, by the aid of the revenue officers, whose duty it is to collect the revenue, who are acquainted with the course and track of commerce, have to estimate continually what amount of property and income is assessable locally, and have access to the records of the revenue for a long series of years. It is not pretended that the result of the

apportionment thus made is accurate; from the fact that the revenue system was framed deliberately for a United Kingdom it cannot be so; but it does offer the student and the statesman a basis of comparison which cannot be neglected.

The Financial Relations Return for the year ending in March, 1902, reaches the conclusion that of the revenue from taxes, some 82·70 is drawn from England and Wales, 10·75 from Scotland, and 6·55 per cent. from Ireland. Further, it is computed that of the Customs, the true contributions for the several countries are 76·12, 9·60, and 10·08 respectively, while the remaining 0·20 per cent. is collected from sources which cannot be localised. In the same way the whole of the Inland Revenue is apportioned, and the proportions given are 82·65, 11·09, 5·50 respectively, with 0·76 per cent. not localised. These are most suggestive proportions, especially when they are contrasted with one another; but in this summary form are much too general for our guidance. Two chief principles of apportionment are discerned: population as regards goods dutiable, and locality of collection where property and income are involved.

The proportions given above as the official conclusions respecting the several contributions of England, Scotland, and Ireland to the revenue in 1901--2 cannot be accepted directly, and without specific inquiry, as a starting point in the computation of the quota of London to the English portion. The official figures are based upon the whole of the Exchequer receipts, including several items omitted from the table on page 219, as not derived from taxation. But another reason not less important is clearly in view, viz., whether any of the taxes by which the revenue is raised are of such a character as to require special attention in their incidence on London. And it does seem as though only an examination of these several taxes for this purpose would meet the case, an examination which must be made here briefly.

Most people would agree that the articles now charged with Customs duties are of such a nature as to touch all classes of people throughout the land, and that they are not such as affect London in a peculiar manner. The articles now dutiable may be classed under the following heads. An export duty on Coal, to which London cannot be said to contribute. An import duty on Tobacco, Tea, Coffee, Chicory, and Cocoa; Spirits and articles containing spirits; Sugar, Molasses, Glucose, and Saccharin, and articles containing sugar; Wine, Dried Fruits, Beer, and Ale; and Playing Cards. On review the whole of the Customs revenue might be apportioned with some approach to accuracy according to

the population, and London does not seem to stand in any peculiar relation to it, with the sole exception of the coal duty.

A review of the Excise is not so simple a matter, though here, too, the population test will carry us far. This is shown by an enumeration of the chief goods subject to the Excise, which are Beer, Spirits, Glucose, Chicory, Tobacco, Railway Duty, and a large variety of Licence Duties, some paid into the Exchequer, some transferred to the Local Taxation Account. With regard to the goods enumerated, by which more than £33 out of the total of £37 millions of Excise revenue is raised, clearly they may be classified with duties of Customs, and apportioned according to population. Railway duty is not charged in Ireland, but with regard to the Licence Duties, and other similar revenue, no great violence to accuracy would be caused by an application of the population test also. As the official return already referred to shows that the local collection of these can be traced, an attempt must be made to regard that principle in this case. But with regard to Excise revenue as a whole, London does not seem to stand in a peculiar position, either in relation to the Kingdom or to England alone.

When we turn to the direct taxes on property, the second of the principles of apportionment found in the "Financial Relations" papers becomes more important, viz., the principle of local collection; but it will be found that in computing London's share, population must be regarded also. Whether we regard the Estate Duty of 1894, Mr. Goschen's Temporary Estate Duty of 1889, the old Probate Duty, the Legacy, Succession, and Corporation Duties, all these "Death" Duties are more traceable to localities than Customs and Excise duties, and a solution by means of the population will be required only for the London portion.

In approaching the Stamp Duties, it is necessary to remember that the official apportionment makes an allowance for transactions which were effected in London, but related to Scotland and Ireland. The nature of these Stamp Duties makes us ask carefully what should guide us in regarding a contribution as a contribution from London, and a provisional, or good working answer must be that they are contributions in respect of London people and London property. So regarded, the Stamp Duties require a severe treatment in allocating a share to London, and it is clear that the portion attributed to London should not be less than the proportion due to population; but London's position as Metropolis and seat of government requires this, especially in the case of duties by stamps on all manner of transactions. Stamp Duty on

Deeds, Receipts, Drafts, Companies' Shares, Loan Capital, Bills and Notes, Patent Medicines, Insurance, Contract Notes, Bankers' Bills, and Share Warrants, is of a nature which makes it payable in London, but very largely not by London.

Land Tax it is well known is not payable in Ireland, and of the portion now remaining in England and Scotland, it may be said that it is traceable, county by county, and London's share can be told within a fraction. The case of the Inhabited House Duty is by no means so simple, but it is capable of a very fair adjustment by means of the tables given by the Inland Revenue Department, which distinguish the number and value of the houses in the Metropolis. The principle of local collection can be applied here almost directly.

For the purposes of this paper the Property and Income Tax presents by far the greater number of complications and difficulties. It should be acknowledged, however, that the Inland Revenue Report has, recently, improved much as regards the form and fulness of information; but the revenue authorities do not yet think it necessary to submit the various sums raised in the Metropolis separately. Certain important data are afforded, however, and they will assist us in an attempt to give the amount of Income Tax which may be attributed to London. The various assessments present a most complicated network of taxation extending to all parts of the United Kingdom, and touching much property outside the Kingdom the income of which is enjoyed in this country. The way so much of the Income Tax is collected at its source, from dividends of companies, from bankers and agents, who represent proprietors domiciled in various parts of the country, inevitably leads to crediting London with large sums which were not paid on behalf of London people or property. Some deduction from the local collection should therefore be made, especially as regards some of the schedules. Schedule A, which deals with land and houses, may be taken as collected; Schedule B scarcely concerns London, as income charged under it is derived from the occupation of land; Schedule C is, pre-eminently, in need of apportionment. It is concerned with incomes derived from securities, British, Indian, Colonial, and Foreign, and though it is charged in London, only a portion can belong to the Metropolis. The general Schedule D, which comprises trades, professions, and a large number of industrial concerns, is happily so reported upon that we get the percentage of the assessments belonging to London given officially, and so can proceed to lay down a base for computing the apportionment of the whole tax. Schedule E deals

with the salaries of Government, Corporation, and Public Company officials, and is also so analysed officially as to show London's pre-eminent contribution. It is proposed here to compute London's share of Income Tax, by taking a mean of proportions paid on these principal Schedules, A and D, where there is no direct apportionment shown officially. In this way it is believed a result will be arrived at which, while it cannot be said to represent the facts accurately, will nevertheless give some clear indication of that fact, and may lead to better results in the future.

It will be observed that this independent examination of the various taxes brings us to a conclusion much like that given on page 221, as that to be drawn from an examination of the method adopted in analysing them from the Financial Relations Return, viz., that it is necessary to rely on a combination of two methods, the appeal to population, and to the locality in which certain taxes are collected; and it may be added that of the two, the appeal to the population is by much the more important.

The area of reference in forthcoming calculations is the Administrative County of London, the population of which, according to the Census of 1901, was 4,536,541.

We shall now endeavour to ascertain the amount contributed by London to the taxes during the financial year 1901—2, and for this purpose the Census for 1901 will be used both for London and the United Kingdom, viz., 4,536,541 for the former, and 41,546,698 for the population of the latter. Taking the *Customs* net contribution (see page 219), we get at once a capital instance of the necessity of ignoring locality of collection in the case of such duties as those of Customs. The report of the Commissioners of Customs for the year ending March, 1902, shows that the *Gross* Receipt of Customs Revenue was £32,542,718 for the United Kingdom, of which no less than £12,671,509, or about 39 per cent., was received at the London Custom House. The nature of the goods charged with Customs duties forbids us to credit London with the consumption of 39 per cent. of them. With the exception of exported coal, these articles are almost purely articles consumed as food and drink, and we shall probably be near the mark when assuming the number of mouths as a guide for consumption, and, consequently, as a guide to the taxation. London's population is about 11 per cent. of that of the United Kingdom, and 11 per cent. of the £31,203,090 net Customs duty is £3,432,340. But London cannot be said to have paid any part of the £1,312,000 Customs duty paid on coal, and when we deduct this sum from the total net duty, London's share of the remainder

would be £3,288,020. If, on the other hand, we admit that London consumes some dutiable articles, such as wine, and one or two other minor articles, in larger proportion than other parts of the Kingdom, especially the rural, we may conclude that London's share of the Customs duties was about £3,320,000.

The *Excise* duties we shall take at the round total of £36,800,000 for 1901—2. Of this, the portion derived from Licences (£4,220,000), and from Railway Duty (£340,000), should be reserved for special treatment. This leaves a total of £32,240,000 charged upon Beer, Spirits, Glucose, and a few minor articles, all of which seem to be as justly appropriated according to population as the Customs revenue. Here, again, official figures enable us to contrast the amounts collected in the various countries with what was the probable consumption, according to population, and the consequent taxation. Official figures show as follows :—

	England.	Scotland.	Ireland.	Total.
Excise duty collected	£22,600,000	£8,400,000	£5,800,000	£36,800,000
Per cent.	61·5	22·8	15·7	100
Population, 1901	32,619,448	4,483,880	4,443,370	41,546,698
Per cent.	78·5	10·8	10·7	100

The nature of the articles charged with Excise duty, the habits of the people in the various countries, and the proportions of the population, forbid us to accept the sums as collected as an adequate indication of consumption. Were we to accept them as an indication, we should get the following result, that the contribution per head to Excise duties in England was 13s. 9d., in Scotland £1 18s. 6d., and in Ireland £1 6s. 1d. Now, drink is the decisive factor of such a calculation. In the Excise official figures it is found that duty for British spirits is as £18 millions, to the £14½ millions from beer. In England it is probable yet that beer is consumed more largely as to value than spirits, but both contribute largely; in Scotland the spirits bulk much more in point of value, and probably much more than in Ireland, where beer-drinking is more common than across the border. These facts lead us to reject the proportions of duty, as collected, as guides to consumption and taxation. Population will be a very much fairer guide, as our conclusion involves London alone, where the consumption of excisable liquors is, certainly, in much larger proportion than is

the case in rural parts.' It is proposed, therefore, to add something to London's proportion of duty, as reckoned according to population. The £32,240,000 raised from British beer and spirits, together with a few unimportant cognates, will, when dealt with in regard to population, give a sum of, say, £3,600,000 as London's contribution. We then come to Licence Duties, which are found to have been contributed as to £3,630,000 by England, £380,000 by Scotland, and £213,000 by Ireland. These, of course, are to be attributed to the districts where they were collected; and for our purpose, if we take the English contribution, and calculate London's share according to population, we shall arrive at the probable truth. In 1900—1, London's share was 13·19 of the total of the Kingdom, and 13·46 in 1899—1900 (see *London Statistics*, vol. XI), and if we now take 14 per cent. the ratio between London and England's population, we get (instead of £462,988, 1900—1) about £508,000. By the same process, the Railway Duty, which was collected as to £349,863 in England, and £25,203 in Scotland, may be made to yield London's contribution as about £36,000, a figure which allows a little to London because of the larger dutiable traffic of the Metropolis.

As regards the *Death Duties*, we have a different case, where much fixed property has to be dealt with. "It should be observed (says the Inland Revenue Report) that the same capital may pay more than one of the duties; for instance, Settlement Estate Duty Capital is included in the Estate Duty Capital: the property paying Temporary Estate Duty is included wholly or in part under the Probate, Account, Legacy, and Succession Duties, and the Realty paying Temporary Estate Duty under the Succession Duty." It will, however, be of consequence to supply the figures of capital charged in 1901—2, as between Personalty and Realty, of which the former brought forward £214,302,811, and the latter £105,996,426, or a total of £320,299,237, which shows about 32 of Realty to 68 per cent. of Personalty. Here the principle of apportionment by locality is of importance, wholly with regard to Realty, and practically in the case of Personalty, as a large proportion of "Personalty" is really represented by fixed property. Now in this case it would appear as though the principle of population can be admitted as a guide only, however important, and that the principle of locality must be allowed to decide London's contribution. This will appear from the following calculations. The Death Duty yield for 1901—2 may be taken as about £18,510,000 for the United Kingdom, of which England contributed

£15,850,000, Scotland £1,902,000, and Ireland £759,000. We follow the official method in allowing these sums as collected to represent the various countries. But if we take population into account in calculating London's portion of the English contribution, then London's 14 per cent. will be about £2,219,000. London's property, and London's wealth, in relation to the rest of England, are greater than the ratio of population. The Income Tax assessments for England, under Schedule A, in 1899—1900 were £191 millions, of which £41 millions were in London, or nearly $21\frac{1}{2}$ per cent. of the total. Again, the rateable value for England in 1898—9 was £172,000,000, of which London's share was £36 millions, or nearly 21 per cent. Preferring locality to population here, and thus following official example, it is computed that 21 per cent. of £15,850,000, England's share of the Death Duties in 1901—2, is £3,328,000, which will represent London's share. And when, in addition to other considerations, we remember how much wealth is actually concentrated in the Metropolis, it does not seem extravagant to think that London's people and London's property contribute to Death Duties about a fifth of all coming from England.

The *Stamp Duties* introduce us to another aspect of the same problem. The sum they brought into the Exchequer in 1901—2 was £7,800,000, of which about £6,903,000 may be attributed to England, £582,000 to Scotland, and £315,000 to Ireland, according to the official analysis of collection. There can be no question that a very large proportion of this Stamp Revenue is collected in London. The only allocation afforded us from official quarters is an allocation according to country. However great the proportion really paid by England, is it probable that England pays according to the figures of collection given above, which represent $88\frac{1}{2}$ for England, $7\frac{1}{2}$ for Scotland, and 5 per cent. for Ireland? The Financial Relations Return observes that in adjusting the Stamp Returns to give the probable true contribution 1·6 per cent. of one-fourth of the total amount was deducted from England, and 1·4 per cent. added to Scotland, and 0·2 per cent. added to Ireland. Regarding our task as the ascertainment of the true local incidence of the taxation, it is here proposed to make a further allowance, and to attribute 85 per cent. of the total produce from Stamps to England, 10 to Scotland, and 5 to Ireland. Thus apportioned England will have contributed £6,630,000, Scotland £780,000, and Ireland £390,000. In computing London's share of the English contribution, it is impossible to apply the principle of

population, for the very nature of these Stamps directs a resort to the proportion of property, not without reference to business and facilities for transfers, &c. Hence we here allot London 21 per cent. of the Stamp Duty charged in England, as in the case of Death Duties, and find that London's share was about £1,392,300.

The Exchequer receipt from *Land Tax* in 1901—2 was £725,000, of which the sum of £694,400 represents England, and £30,600 Scotland. In this case local collection may be applied confidently; but, unfortunately, there are few aids to an apportionment of London's share. The County of London is a recent creation, the quotas of Land Tax for each ancient county were fixed in 1798, and how to assess the portion of Land Tax now in the County of London, which up to 1888 was due from portions of other counties? The quotas of unredeemed Land Tax existing in March, 1902, show that the City of London was liable for £25,145, Middlesex for £59,968, Surrey for £20,763, and Kent for £31,910. If from these last three ancient counties we allow £35,000 as Land Tax quotas due for the London urban portions of them, we shall, probably, looking to the City's quota, be near the mark. This, for the whole of London, would give an existing quota of £60,000. But we are told officially that the Finance Acts of 1896 and 1898 reduced the Land Tax payable by about 25 per cent., so that London's quota of Land Tax in 1901—2 may be taken at £45,000.

Of the *Inhabited House Duty* London pays a large share. What that share is the official report does not tell us, though it gives the gross value of the houses charged, and even the gross duty charged (before allowances are made) for a certain year. For 1901—2 this last datum is not available at the time of writing, but that for 1900—1 is, and as we know approximately what England's share of the Exchequer receipt for 1901—2 was, we can calculate London's share from that basis. (Perhaps we might say, parenthetically, that as the official report gives the *gross* taken as against England, it would not be much extra labour were the actual receipt given.) The Exchequer receipt from *Inhabited House Duty* in 1901—2 was £1,775,000, and from official data we can tell that £1,655,000 of that is from England, and £120,000 from Scotland. By a reference to "London Statistics," and to official sources, it is shown that of the annual value of houses charged to House Duty, London was represented by 37·58 per cent. in 1898—99, by 37·14 in 1899—1900, and by 36·84 per cent. in 1900—1, of the values charged in England. This falling per-

centage of value discloses the interesting fact that the *inhabited* houses charged to duty, though not falling in value absolutely, but rather otherwise, yet are falling in the proportion of value to all England. The conclusion is also warranted by the official figures showing a much more rapid growth of value in counties adjoining the Metropolis, and in some of the industrial counties. London's share of the gross duty paid in 1900—1 was 40·5 of that of England, and looking to the comparative fall in values, we shall not be safe in crediting London with more than 39 per cent. of England's £1,655,000 of Inhabited House Duty paid into the Exchequer in 1901—2, or £645,450. Even then it is an arresting fact to know that for every £10 collected in England and Wales for House Duty, £4, or thereabouts, comes from London houses. It will be observed that this result is arrived at by taking the figures of local collection, evidently the right principle in this case, and the only computation made is London's share of England's contribution for 1901—2.

To apportion the Property and Income Tax is a more formidable task than any yet attempted in this paper. On review, however, it was found that the difficulties were confined to the general Schedule D, and Schedule C, which is concerned with incomes from British and Foreign Securities. We have the official example to guide us, relative to A and B, which in different ways are concerned with land and houses, and are dealt with, apportioned to countries, as collected. This example we shall again follow, but will not attempt to eliminate from our calculations the small amount of income, £495,000, out of the total of nearly 35 millions, which is regarded as non-local, officially. Reference to the table on page 219 will show that the net Income Tax to be regarded as raised in 1901—2 was £34,800,000, and the report for that year shows that that sum should be credited, as to £30,346,000 to England, £3,340,000 to Scotland, and £1,114,000 to Ireland. The proportions of these sums are 87·2, 9·6, and 3·2 per cent. for these countries respectively. Our first difficulty meets us at the threshold of our work. No details of these totals, as between the five schedules of charge, are yet available; but it will be allowed that though Income Tax was charged at 1s. in 1900—1, and at 1s. 2d. in the £ in 1901—2, yet the various amounts and proportions shown in the detailed reports on the work of 1900—1 should be a good guide in the subdivision of the tax collected in 1901—2. The tax raised in 1900—1 is shown officially to have been collected in proportions as follows :—

	A.	B.	C.	D.	E.
1900—1 ¹ ...	Per cent. 25·5	Per cent. 0·8	Per cent. 6·4	Per cent. 59·6	Per cent. 7·7

The £34,800,000 of 1901—2 divided so, would give	A	£8,874,000
”	B	278,400
”	C	2,227,200
”	D	20,740,800
”	E	2,679,600
		<u>£34,800,000</u>

This result enables us to apportion each schedule separately. Schedule A we shall apportion as collected, and on the basis of the assessments for 1900—1, which show that of the total net assessments, England is represented by 83·5 per cent. Of the £8,874,000 in Schedule A, therefore, England's share was £7,409,790. We have intimated in former calculations that London's share of these assessments is about 21·5 per cent., and propose now to credit London with that percentage of Schedule A Income Tax, which would be £1,593,105 in 1901—2. As to Schedule B, the farmer's schedule, the figures for 1900—1 show that about one-third of £28,000 was assessed in London, and to allow for a slight rise of charge in 1901—2, we shall summarily credit London with contributing £500 to Income Tax under B.

As Schedule D is of greater importance than Schedule C, and at the same time affords a better clue to apportionment, we shall proceed now to consider London's share of Schedule D in 1901—2. On the 1900—1 proportions, we find that under D £20,740,800 of Income Tax was paid in 1901—2. The problem of apportionment may be judged from the following remarks found in the Inland Revenue Report for 1902 (p. 187) :—

“As to the large proportion of the assessments credited to the Metropolis, the fact that it is the great financial centre, and that the management of many of the great trading concerns of the country is located there (although the operations may be carried on elsewhere), should be taken into consideration. For instance, it will be seen that ‘Businesses, Professions, &c., not otherwise detailed’ show Income amounting to £142,000,000 in the Metropolis, and £205,000,000 for the rest of the United Kingdom. Profits from Railways in the United Kingdom are assessed in London to the extent of 20 millions out

¹ The actual figures show that the proportions hold for 1901—2.

of a total of 40 millions for the whole Kingdom: Profits from Railways out of the United Kingdom are represented by £13,900,000 out of a total of £14,100,000. Moreover, nearly all the assessments on the interest of Foreign Securities are made in London."

It is evident that this caution extends to both Schedules D and C, for as to C, no apportionment is offered officially. A provisional apportionment may be made for D on the same lines as those already calculated, with an important reservation to be noticed shortly. Taking the assessments of income for 1900—1, we find that on the gross assessments the following proportions are shown :—

Metropolis.	Rest of England.	Total England.	Scotland.	Ireland.	United Kingdom.
Per cent. 43·17	Per cent. 43·68	Per cent. 86·85	Per cent. 10·44	Per cent. 2·71	Per cent. 100

But it is to be observed that these proportions apply to gross assessments, and the apportionment required is of a tax on net assessments, which for the same year yield the proportions of 87·1 for England, 10·5 for Scotland, and 2·4 for Ireland. Now of £20,740,800, the D Income Tax for 1901—2, the English 87·1 per cent. comes to £18,189,682. What is London's share of this last sum? London's population is about 11 per cent., and London's rateable value is about 21·5 per cent. of the rest of England and Wales. The above table shows that 43·17 per cent. of the gross assessment was done in London, but it is impossible to believe that any such proportion is required to represent London people and property. No clear indication of the proportion required can be gleaned from any public source, and the conclusion tentatively suggested here is that 25 per cent. is the highest proportion which should be attributed to London. On that basis London's share of the D Income Tax in 1901—2 was about £4,547,420. If we now apply the same estimate to Schedule C, and apportion one-fourth of the £2,227,200 which C yielded in 1901—2 to London, the share of the Metropolis will be £556,800.

In the same way we have an official analysis of Schedule E assessments for 1900—1, from which we find that England represents 89·3 per cent. of the total net assessments. The Schedule may be taken as collected, especially with regard to London, seeing what a centre it is for Government officials and officials of public companies. The sum collected in 1901—2 under this

Schedule for Income Tax is calculated (see page 230) at £2,679,600, of which 89·3 per cent. is £2,392,872, England's share. The gross assessments show that London's share is about 61·7 per cent. of this, or £1,476,365.

On page 219 it is shown that £131,607,000 was raised by taxation in the United Kingdom during the financial year 1901—2. Having now passed all the chief heads of taxation in review, and calculated how much London contributed to the revenue from each source, it is necessary to show the sum and proportion of these various contributions. The following table exhibits all these chief items and London's total contribution to the revenue.

LONDON'S CONTRIBUTION TO THE REVENUE, 1901—2.

Customs	—	£3,320,000
Excise	—	3,600,000
Licences	—	508,000
Railway Duty	—	36,000
Death Duties	—	3,328,000
Stamp Duties	—	1,392,300
Land Tax	—	45,000
Inhabited House Duty	—	645,450
Income Tax, Schedule A	£1,593,105	—
" " B	500	—
" " C	556,800	—
" " D	4,547,420	—
" " E	1,476,365	—
		<u>8,174,190</u>

London's share of imperial taxation in 1901—2 = £21,048,940

A simple calculation shows that this London contribution of 1901—2 was nearly 16 per cent. of the total *tax* revenue of the United Kingdom. This sum and proportion is now submitted to the judgment of those who are desirous of studying the burdens of the Metropolis, both absolutely and relatively. It is not to be hoped that this conclusion will be accepted on the one side or the other without murmur. The data upon which it is based are accessible to all, and this paper itself supplies information regarding the method adopted in calculating London's quotas of the various taxes. A word in favour of the probable reasonableness of this conclusion may, perhaps, be permitted. Speaking broadly, taxes imposed are imposed equally in all parts of the United Kingdom, and the fact that House Duty, Railway Duty, and Land Tax are not imposed in Ireland, do not qualify this statement materially. We know that the population of London in 1901 was about 11 per cent. of that of the United Kingdom; the assess-

ments of 1899—1900 show that London's were $21\frac{1}{2}$ per cent. of those of the whole of England in regard to Schedule A, and these two data suggest that London's share of taxation in a system which, roughly, is based on both population and property, is somewhere between these proportions. However that may be, no such summary process of calculation was adopted, and it will be found that the conclusion now submitted was arrived at after a painstaking examination of each head of taxation, and it is hoped that the conclusion will be found not only interesting but useful.

As the table on page 219 makes reference to a sum of £3,957,044 paid into the Exchequer as the profits of the Posts and Telegraphs, which profit thereby saves a resort to taxation of an equal amount, it is necessary to submit an apportionment of that sum for the sake of completeness. After a study of the Post Office Report, which does not distinguish the amount collected by London, but supplies much information respecting the work done, it is probable that if we take London's share of the Post Office profit at 25 per cent. of the total, we shall not go far wrong. London's population and, pre-eminently, London's business, must contribute a very large disproportional share to the Postal and Telegraph business of the kingdom. London, then, may be credited with £989,260 of the postal profits, and a contribution of that amount thereby to the King's Taxes.

A word of caution may be necessary in the case of some who peruse this paper. The analysis offered is an analysis of our taxation as it stands, of things accomplished and not of things as they should be, though no doubt some light might be gathered from the results arrived at on some questions which are much discussed by various schools of students and statesmen. Quite apart from any such considerations, many will think it of some significance when they know that the Metropolis contributes about 16 per cent. to "The King's Taxes."

ADDENDUM.—*The Revenue for 1902—3 : London's Share.*

SINCE this paper was drawn up the figures of the Revenue for 1902—3 have been issued, and it is found that, including some placed to the Local Taxation Account, the Revenue from Taxation amounted to £140,000,000, nearly. If we take the grand average of 16 per cent. of the Revenue as London's share, then in 1902—3 London contributed about £22,400,000 to the King's Taxes. Further, assuming the profit from the Post Office to be about

£4,000,000, and that 25 per cent. of this should be credited to London, then £1 million should be added to the grand total. The result is that *London may be deemed to have contributed about £23,250,000 to the King's Taxes in 1902—3.* But as the year 1902—3 was a year during which taxation, on account of war, reached the highest point, the above paper was founded on the year 1901—2, as a nearer representation of normal conditions.

W. M. J. WILLIAMS.

THE EMPLOYMENT OF WOMEN IN PAPER MILLS ¹

Introductory.

PAPER-MAKING, whether by hand or machine, is an exceedingly beautiful and ingenious process, and even for an observer quite ignorant of technique it is most interesting to watch the mysterious change through which the pulp, at first apparently liquid, all at once acquires enough consistency to take on a water-mark. This, however, is a subject for scientific and technical treatises, and as women are not employed in this process, we are not here concerned with it. The hand-paper-makers, as readers of "The History of Trade Unionism" will remember, are an exceedingly old-fashioned aristocratic body of handicraftsmen, who preserve the old traditions of a fixed term of apprenticeship and restriction of numbers. They are jealous of any intrusion of women into their special kinds of work, and as a rule will not allow their own wives to go out to work at all. In machine-made paper mills, the paper is made on large engines, and the work is mechanics' work, such as no woman ever does, or could do. It thus falls out that the work done by women in paper mills is merely complementary to the main process of the manufacture itself, which is exclusively men's work, and in this respect there is no difference between hand and machine-made paper. Women are employed on three different kinds of work: firstly, the preparatory processes of rag-sorting and cutting; secondly, in con-

¹ The present paper has been compiled from the Children's Employment Commission, 4th Report, in H. C. 1865 XX, the Occupation Census Returns, the Factory Inspectors' Reports, and private inquiries in the neighbourhood of London. Some notes on Lancashire mills were kindly contributed by Mr. Geo. H. Wood. The paper was written for the use of the Committee of the British Association (Section F) on the employment of women under the Factory Act, and follows the line of inquiry laid down by that Committee, which included changes in employment, hours, wages, machinery, division of labour, and efficiency, in industries where women are employed under the Factory Act.

junction with men or boys, in tending machines that size, glaze, roll, and cut the paper; thirdly, in sorting and making up the finished goods. The room set apart for this purpose is called the "sol," or "salle,"—pronounced *saul*—and glazing is often done here also. Although women have nothing to do with paper-making proper, their employment is essential in the auxiliary processes, and they could not be replaced by men or boys, or by machinery, except in some cases which will appear later on. The special characteristic which has to be borne in mind in order to understand the peculiarities of the industry is that in the rag-house and "salle" women work relatively short hours, planned on a system independent of the men's work; in machine-tending they work beside, and in conjunction with, men and boys, and usually for the same hours, or nearly so. The rag-cutting and sorting is skilled work in its way, for if the paper is to be a good quality, all seams, hems, buttons, and so forth, must be carefully got rid of. The work is dirty, except in the case of hand-made paper, where only new rags are used, and the women are of a lower class socially than the paper sorters. The latter are for the most part young girls, daughters of artisans, &c., and come from respectable homes. Many of the rag-cutters are middle-aged married women, and of a class corresponding to the so-called "unskilled labourers" among men. The girls who help at the machines sometimes form an intermediate grade; or they may begin work at the machines and go on to the "salle" afterwards. It is pleasant to notice the friendly and almost patriarchal relations that seem in many cases to prevail between employers and employed. Many of the paper manufacturers still live close to their mills, know their hands by name and by sight, take an interest in their welfare, and give help and sympathy in time of trouble. Where the employees also can live near their place of work, even the employment of married women, if for moderate hours, loses some of its objectionable features. In view of the lamentable disclosures made from time to time as to the causes of infant mortality in large towns, it is consoling to know of country paper mills where arrangements are good-naturedly made for the babies to visit their mothers at midday, and the somewhat unusual spectacle may be seen of a "regiment of perambulators" drawn up at the factory door.

Changes in the Employment of Women under the Factory Act.

—An important change introduced by the extension of the Factory Act to paper mills, was the discontinuance of night work by women. It is a special feature of this industry that, except in

the case of hand-made paper, it is an almost invariable practice to continue work all night, a double shift of men being usually employed twelve hours each, working day and night in alternate weeks. Cases were reported to the Children's Employment Commission, 1864, in which the women, as well as the men, worked through the night in shifts, or relays, and one employer who kindly gave information for the present inquiry, recollects it as the regular practice in the mill now his own. Night work became illegal for women under the Factory Acts Extension Act of 1867. It does not appear that a very large number of women were affected, or that the prohibition caused any serious inconvenience. The master just quoted says that the work done by men and women being essentially distinct, there was no real need for women to work on the night-shift at all, and thus it was an easy matter to rearrange things so that the women continued their own work under the regulations of the Act. His words were, "We got used to it, and it was much better." None of the masters questioned thought night work by women could be necessary; most did not know it had ever been customary. Rag-cutting and paper-sorting, or "overlooking," are the chief employments of women in paper mills, and for both of these a good light is essential, so that it is out of the question to work at night. We find from the Commission's Report that where night work was wanted, and its prohibition might be felt as a grievance, would be chiefly where the women were employed at machine work, especially glazing and cutting. The economic impulse is to "run a machine for all it is worth," and it was here and there considered profitable to employ a double shift of women workers and keep the machines going continuously through the night.¹ Another change made was the limitation of hours to the normal factory day of 6 a.m. to 6 p.m., or 7 to 7, and here again, and for the same reason, the restriction was most felt with regard to machine work. The master of a hand-made paper mill stated that hours in the rolling-room were from 6 a.m. to 8 p.m.²

The Commission also reports girls having worked from 6 a.m. to 9 p.m. (p. 296). Elderly women have told the present writer they could remember working thirteen or fourteen hours in the day. At the present time, if the prohibition of overtime is felt as a grievance at all, it is through the difficulty of getting the paper through these cutting and glazing processes. In one mill, the writer was told, sometimes the female "overlookers," or paper

¹ Children's Employment Commission, 4th Report, 1865, XX., pp. 295—315.

² *Ibid.* p. 809.

sorters, work extra hours at glazing or rolling, their own special work being finished at four or five. It is here and there considered oppressive not to be able occasionally to work a few extra hours to meet a sudden demand, and one or two masters think it hard on the women that they should not be able to profit by the opportunity of earning more money. The women do not seem to consider this a grievance; one, when questioned, said, "We begin at six, and have had quite enough by five."

The effect of regulation is, however, not so evident in the organisation of the paper-making industry as it is in certain branches of textiles, for instance, and we do not, as frequently in textiles, find factories in which every worker has his time arranged on a plan entirely conditioned by the regulations made for women and young persons. In the paper mill the work done by women is mostly quite distinct from that of men, performed in separate apartments, and on an independent system of hours. Whereas men work on twelve-hour shifts, day and night in alternate weeks, the majority of women work considerably within the legal maximum of hours. Hours in the rag-house and *salle* seldom exceed 8 to 5, or 5.30, and in winter are even shorter, as it is generally considered that the work cannot be efficiently performed by artificial light. This system appears to have existed before the Factory Act, and in the Report of 1864, although there were variations, from mill to mill, as doubtless there are still, the hours seem to have been much what they are now, in those two branches of work. Other women work in conjunction with men and with male young persons, tending the machines that cut and glaze the paper. In these cases, where the conditions more closely resemble those of textile industries, it has come about, as in textiles, that the work is now done as a rule in the hours permitted to women: 6 to 5 or 6, 7 to 6, or 8 to 6 or 7, are the usual day's work. The effect of the restriction of women's hours seems to be that those of other workers are shortened also. But when there is a sudden pressure of work it may happen sometimes that the women's places are taken after hours by male substitutes. Male young persons between fourteen and eighteen are allowed to work at night under certain conditions, and it is practically certain that when the Act was passed, here and there, where the cutting or glazing of paper was carried on through the night, male young persons or men must have been put on after the women ceased working. When the Commission was sitting in 1864, some alarm was felt by the masters at the prospect of having to introduce men for women's work at night. One employer went so far as to advocate the

prohibition of night work to male adults as well as other workers, on the ground that in his own case and that of others similarly situated, the women in attendance on the "cutter" would have to be replaced by men at night, and that if a law were imposed on all alike, and his competitors had to do as he did, it would actually be more profitable for him to shut down at night altogether, than to set men to do work for which they were unsuited, and yet must be paid men's wages. In this case the special difficulty was that the "cutter" was attached to and worked simultaneously with the paper-making machine (Report, pp. 295—316); where the cutter was separate the difficulty was less acute, and the paper made by night could be cut by day (p. 319).¹ In one or two cases I have been told that at the present time women's work is occasionally continued at night by men or boys at times of special pressure.

Apart from this particular kind of work, there seems to be a general tendency towards shorter hours, though it is very doubtful how much of this should be attributed to the regulation of women's labour, how much to the conditions which are annexed to employing boys at night, or to trade union action. One master complained to the Factory Act Consolidation Commission of 1876 that the curtailment of hours on Saturday obliged him to reduce the work of those hands not under the Act, as well as the others.² In one mill the present writer was told that "night work has been given up as far as possible"; in another, that the firm had discontinued employing boys on the night-shift, and only four men (out of twenty-two or twenty-three employed) were retained at night to see to the engines. Hours on Saturday have been shortened, work being stopped at 2 p.m., within the last few years, through trade union influence. The master of a large and important mill thinks things are tending towards the adoption of a triple shift of men working eight hours each, and that this will be profitable to the employer, as the work will be done with more concentration.

The question may be asked, Has the regulation of women's hours caused any restriction of women's employment? This subject is fraught with some difficulty, as the industry has been undergoing modifications from external causes other than the Act, and it is more than usually difficult to discriminate between changes due to the one or the others. In the ten years between 1861 and 1871, during which the Act came into operation, the percentage of women employed decreased, but the numbers

¹ The connection of the two machines seems now to be quite obsolete.

² H.C. 1876, XXIX., App. D., p. 176.

increased. The decade 1861 to 1871 included not only the Factory Act Extension Act, but the remission of the paper duties in 1861. There is an impression in the trade that this resulted in closing many small mills, which would probably mean that more machinery was introduced, and a smaller proportion of women employed. The tendency of the industry to concentrate in fewer and larger mills with more machinery and increased numbers of hands was, however, noticeable in paper-making before the duties were taken off. In 1858 Mr. Milner Gibson said that in twenty years the paper mills in England had decreased from 525 to 393, and he blamed the "obnoxious Excise system" for this "congestion of capital."¹ The fact seems to be that, apart from external disturbing causes, the development of machinery has favoured the growth of the industry and the concentration of capital, and in the result a larger number but a somewhat smaller proportion of women is employed.

From 1871 to 1881 the decreased percentage of women was more than made good, but by 1891 there was again a slight fall, and by 1901 a further fall. The work of women tends to be taken over by machinery in rag-cutting, except for paper of the finer kinds, for which the rags can only be satisfactorily cut by hand. Women used to do more rough work and odd jobs than they do now, such as "engine picking" (a rude method of picking out dirt from the pulp by hand), placing esparto grass on the dusting machine, and so on; these operations have been taken over by machinery.

The employment of women tends to diminish also in the manufacture of newspaper, where wood-pulp has been largely substituted for rags, and rag-sorting and cutting consequently are no longer needed. This partial disuse of women's work is not due to the provisions of the Factory Act, but to the change in the mechanical process. The manipulation of wood-pulp is work too heavy for women, and men only are employed. Mills of this class doubtless employ a decreasing percentage, and probably even a smaller number of women than formerly. Taking a more comprehensive view, however, we find that in the better class work, the lighter employments, the demand for women's labour continually increases. Paper-sorting, or "overlooking," as it is sometimes called, is work for which a quick eye and light hand are needed; women are much more deft at it than men, and there is little or no chance of its being taken over by machinery. The better the class of paper, the more care and skill are required for this kind of work, and the greater is the demand for women and

¹ *Hans.* 21, VI., 1858, col. 100.

girls. In hand-made paper mills the proportion of women may be as high as 62 per cent. (See subjoined table.) In another hand-made paper mill the percentage of women and girls is 63·3; in a mill which makes a special kind of high-class paper by machinery, the percentage is 64·4. The progress of the industry appears thus to bring about a decrease of women in the dirty and unhealthy preparatory processes, and an increase in the lighter and more dexterous employments. The numbers of women employed in paper-making have largely increased since the Factory Extension Act, although the percentage of women has slightly fallen. The decreased percentage is more than balanced by the very large increase in envelope, stationery, and paper-bag making, and in paper and allied industries taken together, not only the numbers but the proportion of women has increased in an almost startling degree. The master of the largest and best-appointed mill I have seen, thinks that the further development of machinery will increase the demand for women and girls' labour, as there will be a larger output of paper per skilled male operative, and more work in rag and paper-sorting and in stationery.

It may be remarked that the fluctuating percentage of women employed in successive decades (see subjoined table) is precisely what might be expected to occur in consequence of change and development in the mechanical process. When machinery takes over certain operations, previously performed by women, more male workers are required to see to the engines, and temporarily the proportion of women decreases; but as the demand for the cheapened product expands, more women again are needed for the lighter complementary processes.

No evidence is forthcoming to show that women have been dismissed or set aside owing to the regulations of the Act; no employer, and only one foreman, thought the regulations had any such tendency. In one or two cases it was considered preferable to employ boys in machine-tending, but the reason given was not the prohibition of women's work at night, but the greater handiness of boys with machines, and the desirability of getting them taught their trade. The prohibition of overtime is sometimes considered an inconvenience; but not one of a nature to cause displacement of women. The demand for women in paper mills is great, not only because of the comparative smallness of their wages, but because of their special aptitude for some kinds of work. In two mills I have been told that women had taken over work previously done by male young persons, *i.e.*, the very same glazing and cutting operations where the prohibition of night

work and restriction of overtime are most felt, and where the special exception allowing male young persons to work at night may be expected to handicap women most seriously.

There is doubtless here some degree of competition between women and male young persons. It is noticeable that some observers imagine the former to be encroaching on the latter, others that the reverse process is taking place. The fact seems to be that while girls have an advantage from their smaller fingers and lighter touch, boys have more strength, more aptitude to manage machines, and are better worth teaching, as they may grow up into competent mechanics.¹ In this way a sort of natural division of labour takes place, as, for instance, where two girls sit below the "cutter" to catch and sort the sheets, with one lad or young man apparently doing only the same work, but ready to assist in case of any accident, or, as is seen in glazing, where two or sometimes four girls feed in sheets, and one man places the paper between the zinc, and carries it to and from the roller, which is work too hard for girls. Industrial fitness, rather than industrial freedom, seems here to determine the distribution of employment. It has also to be remembered that although boys may be employed on a night-shift, they are not allowed overtime, and the expense of the extra shift probably neutralises the possible advantage of night work as far as these auxiliary operations are concerned.

It may here be worth while to quote an interesting table prepared by Mr. Baker in 1872, which shows the progress of the industry in the three years immediately following the Act, in the Western and Midland Counties. The table includes Bucks, Berks, and part of Lancs, but not Kent. It shows the number of adult workers to have increased, female in a slightly larger proportion than male; the number of mills to have decreased, and the machinery measured in horse-power to have been very largely increased. The decreased number of mills may be partly due to the elimination of those employers whose capital could not stand the strain of making up for the deprivation of child labour and the restrictions on women's and young persons' employment. There may have been hardship in particular cases, but the table undoubtedly shows a net gain of efficiency in the industry without any loss of employment to women.

¹ Those who advocate employing women always and wherever possible are apt to forget the necessity of keeping up the supply of skilled and trained workers. The girl may do one particular bit of work as well as, or better than, the boy, but as one master said to the present writer, "she won't grow into a journeyman."

TABLE I.

Taken from *Factory Inspectors' Report, 30th April, 1872 (H. C. 1872, XVI.)*, p. 173. "A comparative view of Progress or Decline of non-textile Factories under the Factory Acts Extension Act, 1867," from 1868 to 1871.
P. 177. Paper-making.

Year.	No. of mills.	Horse-power.		Children under 13.		Males. 13-18.	Females. 13-	Males. 18-	Total males.	Total females.
		Steam.	Water.	Males.	Females.					
1868	157	6,207	2,610	361	127	882	3,641	3,620	4,863	3,768
1871	149	7,311	3,569	86	52	1,044	3,820	3,829	4,959	3,872

TABLE II.

(This table is compiled from the Census of Occupations and from private information.)

Percentage of Females in total employed.

England and Wales.				Lancashire.			
	Males.	Females.	Percentage of females.		Males.	Females.	Percentage of females.
1861	7,746	5,611	42.0	1861	1,114	460	29.2
1871	10,142	6,630	39.5	1871	2,037	962	32.1
1881	10,352	8,277	44.4	1881	2,670	1,487	35.8
1891	12,014	8,029	40.0	1891	3,305	1,597	32.6
1901	15,359	8,851	36.6	1901	4,354	1,328	23.4
Kent.				Hand-made paper mill, Kent.			
	Males.	Females.	Percentage of females.		Males.	Females.	Percentage of females.
1861	1,256	1,616	56.3	1864	29	41	58.5
1871	1,377	1,726	55.6	1871	31	59	65.5
1881	1,319	1,723	56.6	1881	38	69	64.5
1891	1,676	1,506	47.3	1891	39	65	62.5
1901	2,362	1,856	44.0	1901	38	62	62.0

Percentage of Females in paper and allied industries, England and Wales.

	Males.	Females.	Percentage of females.
1861.....	19,173	11,632	37.8
1871.....	24,378	15,611	39.0
1881.....	27,190	25,799	48.7
1891.....	34,767	39,477	53.2
1901.....	42,652	54,670	56.2

Wages.

Information as to wages is not sufficiently definite to be satisfactory. One employer states that women's wages have doubled within his memory, which goes back to before the Act of 1867, and he thinks the rise in some measure due to the restriction of night work. He says that in his own village the wages of girls in paper-making are now equal to those of agricultural labourers, so that some of the girls are earning as much as their own fathers. Another employer, near London, thinks wages "have not greatly altered with regard to women employed in the treatment of raw materials; but have distinctly risen in the case of women employed on the more delicate operations of our manufacture, such as sorting, finishing, parcelling, &c." These kinds of work are usually paid piece work, except in the case of beginners, who are generally paid five or six shillings a week to begin with. Sometimes specially important sorting is given to a highly-skilled worker, and paid by time. This is in cases where the work must be done with minute and extra care.

It must be remembered that as hours on the whole are shorter, any rise of wages indicates a more than proportional rise in the rate measured by time.

For wages before the Act, the only information I have been able to obtain is as follows:—

Year.	Source.	Day.	Week.	Kind of work.
1853	Ure's Dictionary of Arts and Manufactures, p. 335	1/4	8/-	"Parters."
1859	Encyclopædia Britannica	-/10, 1/-	—	Rag-cutters.
1860	Returns of Wages, Leeds and Neighbourhood	—	8/-	—
1863	Returns of Wages, Blackburn and Neighbourhood	—	8/-, 9/-	Willow room.
	Do. do. do.	—	3/- to 12/-	Shoddy pickers and drysorters.
	Do. do. do.	—	10/-	Bleach house.
1864	C. Emp. Comm. av. of 13 entries...	—	8/1	Various.
1867-8	Returns of Wages, Newcastle and Neighbourhood	—	7/-	Rag-sorters.
1880	Returns of Wages, London and Neighbourhood	—	{ 10/6 7/6	Women. Girls.

The following particulars are supplied by employers. In column 5 the figures are merely verbal estimates; in column 3 a recent week or two weeks' earnings, taken at random from the wages book, have been divided by the number of women employed:—

	Source.	Kind of mill.	Average earnings.	Description of employees.	Employers' estimates and remarks.
1901. No. 1	Kent ...	Hand - made paper	10/8 $\frac{3}{4}$	62 women and girls	3 best workers in the salle got £2 4s. between them.
1903. No. 2	Kent ...	Hand - made paper	.....	.....	7/- to 12/-.
No. 3	Kent ...	Fine paper ...	9/3 $\frac{3}{4}$ 9/- 15/11 11/2 $\frac{1}{2}$ 8/7 $\frac{1}{2}$ 15/-	30 rag-cutters. 4 rag sorters. 18 glazers. 8 layers-on. 40 overlookers.. Forewoman.	15 of these are young beginners.
No. 4	Kent ...	.....	11/6 $\frac{1}{2}$	Rag-cutters..	Paper sorters, 11/- to 14/-; overlookers, 2/- a day.
No. 5	Bucks..	.....	8/9 $\frac{1}{2}$ 10/4 $\frac{1}{2}$	20 cutters. 4 paper sorters	Rag cutters, 10/- or 12/-.
No. 6	Bucks..	Millboard .....	.....	.....	Only 4 or 5 women; 9/- a week; at busier times 10/- or 12/-, rough work.
No. 7	Herts...	Writing paper	.....	.....	General wage of women given as 12/-; some 13/-, 14/-; rag-sorters, 10/-, 11/-; several forewomen, 15/-.
No. 8	Kent ...	White paper..	.....	.....	Paper sorters, 12/6, 13/-; glazers, 10/6, 11/-; best, 13/-. Rag-cutters, 11/-; av. given as 12/-.
No. 9	Kent ...	Coloured paper	.....	.....	Rag-house, 10/-, 12/-; paper sorting, ditto. At the cutter, 10/-, 11/-; general wage 12/-.
No.10	Berks...	Brown paper..	.....	.....	Beginners, 5/-; "after a girl is put on piece-work we don't think much of her unless she can earn 10/- or 12/-"; some 15/-, 16/-.

	Source.	Kind of mill.	Average earnings.	Description of employees.	Employers' estimates and remarks.
No.11	Near London	Printing paper	.....	.....	Rough work, 23 women, 10/- ; 20 sorters and finishers, 14/- to 20/-.
No.12	Lancs..	.....	.....	.....	In rag-house, 12/- ; paper sorting, 15/- to 23/-.

Efficiency, Industrial and Social.

The relatively short hours now customary are generally felt to make for efficient work. The legal working day is never now a subject of complaint, and the hours of work, which in glazing and cutting used frequently to be from 6 a.m. to 8 p.m., before the Act, are now often voluntarily reduced to less than the legal maximum, viz., 6 to 5 or 5.30, and so on. In one case the master had tried the experiment of introducing piece work and shorter hours, with the result that more work was done and the women's earnings were increased. Permission to work overtime, which is sometimes desired, is in other cases spoken of doubtfully. In envelope-making, overtime may be worked thirty times per annum; and in a large envelope and account-book works the foreman, whilst regretting that the girls should not be free to earn more extra money in this way, almost in the same breath stated that overtime was of little use from his point of view, as, if the girls stayed late one day, they were sure to come late the next. A foreman in a paper mill said he thought it answered better to work women short hours only.

The restriction of overtime is chiefly felt in the processes of finishing the manufactured article, and may give a certain stimulus to the development of machinery, as appears indirectly from the statement of a manufacturer to the Commission, that overtime was required because he had only one pair of rollers—"We ought to have two." (Report, p. 309.) In a large envelope mill a great deal of machinery has been introduced to save women's labour; the reason assigned by the employer was that there is locally a deficiency of labour of this class and a scarcity of women and girls. It was, however, stated later on by a foreman in the same mill, that the restriction of overtime had previously been found very inconvenient, and more machines having been introduced, any sudden pressure of business could now be successfully

dealt with. Automatic self-feeding rollers had been introduced in this mill, which did away with the need of the girl helpers altogether; yet the demand for women's work is keen and still increasing in the same mill. .

With regard to home life, the only employer seen who was of an age to remember conditions before the Act, stated emphatically that legal regulation had been of the greatest benefit to women workers. The old state of things in which women worked irregular hours, and in some cases all through the night, in relays, as the men did, was demoralising, and, as scarcely needs proving, fatal to any orderly home life.

As regards healthy conditions of work, existing regulation seems scarcely to go far enough. The work of rag-cutting usually involves a great deal of dust and dirt. In the making of the best paper, only new rags are used, and the work seems then unobjectionable; in the largest and best-appointed mills, on the other hand, the cutting is done chiefly by machinery, and the dust and dirt are eliminated by ingenious and effective appliances. In others, neither of these conditions is obtained, and only the fact that paper mills have often the natural advantage of being situated in the midst of the country, with doors and windows opening on to green fields and admitting plenty of fresh air, mitigates the unpleasant nature of the work, which can scarcely fail to be unhealthy and even somewhat degrading. It is not surprising to be told that the women who do this work are regarded as socially much inferior to those employed on the finished paper: and it seems likely that a little more pressure from above to improve their conditions would cause rag-cutting to be almost entirely taken over by machinery, except in the case of high-class paper, where, from the nature of the rags used, it is not an objectionable occupation. A useful extension of the existing law would be the requirement of washing apparatus, water and towels, as at present in specifically "dangerous" trades. It goes without saying that the best employers voluntarily make this provision. In other cases it is absent or inadequate.

Conclusion.

To sum up: it would seem at first sight that women are especially handicapped in paper-making owing to the fact that night work is considered essential, is prohibited to women, and is permitted under certain conditions to the most formidable competitors of women, viz., male young persons. Nevertheless, the

demand for women-workers seems to be steadily increasing, and no displacement can be shown except that which has been brought about by the progress and development of the industry on its mechanical side. The hours worked by the majority of women are about 25 per cent. shorter than the legal maximum, and this arrangement is mainly due to conditions inherent in the industry itself, the main features and characteristics of which have been little affected by the provisions of the Factory Act. As regards the minority, certain grave abuses have been checked, night work and overtime have been abandoned, and there is no evidence that the employment of women has been thereby hindered. Wages have risen, though hours are shorter. There is no direct evidence that the rise of wages is due to the influence of regulation, but neither is there any reason to suppose that the rise has been thereby checked or impeded. The demand for women's labour is greatest, and their earnings are said to show most of the upward tendency, in the lighter, cleaner and more dexterous employments. In these better-skilled branches, where healthy conditions are necessary to maintain efficiency, the regulations of the Act, so far as they enforce those conditions, do not hinder, but promote the employment of women, and indirectly tend to divert their labour into those channels where it is least at a discount and most in demand.

B. L. HUTCHINS.

STATIONARY POPULATION IN FRANCE

THE last returns of the movement of population in France have lately appeared (*Journal Officiel* of 23rd October, 1903), and it appears that an excess of births over deaths has been registered in 1902, as well as in 1901. In 1900 the proportion had been reversed with a surplus of 25,988 deaths, whilst excesses of 72,398 and 83,944 births are ascertained for 1901 and 1902. Still, the increase is due to the reduction of mortality, and not to a rising of the birth-rate, for in 1901 more than 857,000 births had been registered, against only 845,378 in 1902. The only really prolific regions of France continue to be Brittany, especially Celtic Brittany, and the departments of the Pas de Calais and the Nord, where the coal mines and the development of industry have attracted a numerous element of Flemish origin. If the whole of France were to take example by the Bretons, the annual national increase would, in round numbers, reach 456,000, but the great majority persevere in considering that the safest way to testify their love to their children is to have only one or two. A parallel regard for their own comfort and security confirms them in this conclusion. *Audaces fortuna juvat* is not at all the motto of the average Frenchman. Still, it would be an exaggeration to believe that France is a country of bachelors. Frenchmen marry much the same as their neighbours; only they never forget the paramount importance of prudence in all matters connected with their family, as well as business, arrangements.

In his *Expansion de la Nationalité Française* (Paris, 1903), a well-known Russian writer, M. Novicow, formerly Vice-president of the International Institute of Sociology, maintains that the stationary level of population in France ought not to inspire apprehensions. He calculates that by the end of the twentieth century from 100 to 150 millions of men may probably, in and out of Europe, live under the government of France; he further considers that the linguistic conquests of the French language and literature

will make *partial* Frenchmen of crowds of intelligent and educated foreigners, and concludes that if, even at the end of this century, the number of French subjects does not exceed 100 millions, it must be admitted that a nation of 100 millions of highly civilised men, possessing a complete intellectual and scientific apparatus, must, and will always, exert a considerable influence on the destinies of mankind.

All this sounds very pleasant. Still, remembering that vanquished Greece morally conquered her stern conqueror, but was not the less compelled to submit to his rule, French publicists generally decline to be comforted by such optimistic predictions, and insist on the indisputable fact that in 1860 Germany and France had about the same population, that the former now has about 52 millions of inhabitants against only 38 for the latter, and that this ominous difference goes on growing steadily and rapidly.

In order to discover remedies, leagues have been founded, official inquiries appointed, thousands of newspaper articles written and pamphlets issued from the press. Exemptions from, or rather alleviations of, military service have first been proposed, but, as they are only granted on a very reduced scale, they ought rather to be considered as dictated by humanity, and not as effectual incentives to population. The bulk of remedies proposed turn round either modifications in the system of taxation, or the remodelling of successorial laws. Not much is to be expected from the taxation of bachelors, or the reduction of the direct taxes paid by the heads of numerous families, as a man who does not care to assume the burden of the education of several children is not likely to alter his mind for the consideration of a paltry reduction in his roll of taxes. As to the increase of the rate of succession duties whenever the parental estate devolves on a family of only one or two children, the rate, if moderate, will remain inoperative, and, if heavy, will be looked on as a disguised confiscation by the State, and surely evaded in most cases.

Desirous to remove this stigma of confiscation, a French officer, Colonel Toutée, the explorer of Dahomey and Southern Soudan, last summer submitted a *Note on the means of increasing the birth-rate in France* to the *Académie des Sciences Morales et Politiques*, in which he suggested the insertion of the following additional article in the *Code Civil*:—"Each succession must be divided. To each singular heir will be assigned, over and above his own share, as many shares equal to his own as he has children living or represented. The only child will receive one-half of the property, the other half devolving on such persons as would be

heirs-at-law if he were not existing." The Colonel's aim was obviously to displace the popular feeling for equality from children to grandchildren, and also to reach families with only one child, who else would have escaped the law. A premium being thus conferred on prolific and early marriages, he confidently hoped that amongst relatively well-to-do classes an annual increase of 400,000 births would soon be registered.

These sanguine hopes were not entertained by the *Académie*. First and foremost, this plan is open to the grave objection that it manifestly favours the eldest children, as they are more likely to be married and have children at the date of the parents' decease than the younger ones, who very probably may still be under age. Then, from a more general standpoint, it remains doubtful whether the mode of partition of the parents' property has any decided action on the number of progeny. It must not be forgotten that the *Code Civil* allows parents freely to bequeath a fraction of their property (from one-half to one-quarter, according to the number of ascendants and descendants), and that French parents only make use of this power very exceptionally for pensions to old servants, charitable purposes, &c. Under the *Ancien Régime*, during the period when France colonised Canada, Louisiana, and some of the Antilles, the rule of equality of partition was even far more stringent for non-noble estates. Even collateral relations then enjoyed an indefeasible claim on the patrimonial goods of the deceased, and, according to most *coutumes*, the *quotité disponible*, as it is now called, could not as at present be the object of a legacy in favour of one of the children. The acceptance by one of them of a liberality of this kind entailed the forfeiture of his legal portion. The *noblesse* always excepted, a system of jealous equality amongst children has thus been prevalent for centuries before the Revolution, and this rigid equality has not interfered with the raising of a surplus of population which crossed the ocean and settled down in the New World. Measured by the standard of colonisation, the fluctuations of population thus seem—at least in France—not to be influenced by the laws of succession.

Whatever may be their personal views on the general opportunity of enlarging the testamentary freedom of heads of families, the leading French economists and jurists concur in the opinion that, as regards population, we are in presence of a tendency, universal in our part of the world, in which France has simply opened the march and is followed—in truth at a distance—by its nearest neighbours. This tendency is generated and fostered

by the spread of democratical notions, and the bias of the masses to care first of all for their terrestrial welfare; it is also verified in the United States amongst native Americans. This opinion has been most ably and steadfastly defended by M. Paul Leroy Beaulieu, in his *Traité d'Economie Politique* (4 vols., 1896), and in numerous articles contributed to the *Economiste Français*; no legislation whatever can altogether arrest such a popular current swelling as a rising tide on the seashore. Palliatives are only possible, and, as such, M. Leroy Beaulieu endorses the proposal that in France a sort of right of preference be granted to the fathers of families of at least three children in the appointments to about 600,000 inferior administrative places, which are in the gift of Government, and the duties of which can be satisfactorily discharged by any honest man who has passed through a primary school. Immigration, which is strong, ought certainly not to be discouraged, as the French people enjoy a remarkable power of assimilating elements of foreign origin; the son of a foreigner, if born in France, is, in nine cases out of ten, as thoroughly French as if he were descended of a long line of unmixed French ancestors. M. Leroy Beaulieu also alludes to the fact that if the soil of France were as rich in coal mines as England and Germany, France would probably count about ten millions of inhabitants more; the growing utilisation of the motive power derived from waterfalls so diffused in mountainous districts may determine the formation of industrial and consequently populous centres in hitherto almost abandoned regions. A great saving of human lives could also be realised on infantile mortality; it has been calculated that superior cleanliness and nicer attention to hygienic rules would yearly rescue 60,000 or 70,000 infants carried off by an untimely death. In Paris, for the last few years, whenever a baby is presented for the registration of its birth at the *Mairie*, a small volume containing appropriate directions is delivered to the mother or nurse; this is only a beginning, as the range of possible and desirable improvement in this respect is unhappily still very wide.

If prudential considerations are sometimes legitimated by the circumstances of individual life, it cannot be denied that when they encroach beyond such limits they are the symptoms of an unsound state of society. Putting aside military power, their excessive development is a cause of national economic debility; only children are mostly spoiled children, and spoiled children, especially if they inherit a small competency, are apt to turn out weak creatures, unable to engage with energy in the struggle for existence. Man being both a producer and a consumer, a nation

with a stationary population is liable to become, in the long run, a nation sentenced to linger on a stationary level of production, and to lose its elasticity of taxation, which is another cause of political weakness. In some quarters, it has already been asserted that France only maintains her high financial rank through the superior saving capacity of her sons.

It is an unpleasant task to dwell on dismal forebodings. Nevertheless it is a curious fact to observe that even in prolific Germany, where the danger of depopulation does not seem very threatening, a reaction appears to set in among scientists against the unmitigated approval of the ideas of Malthus, expressed by such men as Professor Wagner and the late Professor Rumelin. Without entering into details, it may be noticed here that Dr. Schallmayer, who, with his book on "Heredity and Selection in the Life of Nations" (*Vererbung und Auslese im Lebenslauf der Voelker*), recently carried off the first prize in a competition on Darwinism and the State, emphatically declares that preventive sexual intercourse means national suicide. We ought to add that, having visited China and Japan, the author has been impressed by the prolificity of their citizens.

E. CASTELOT

THE ECONOMY OF CHINESE LABOUR

IN the three successive winters of 1869, 1870, 1871, it was my lot to travel about 2,500 miles on horseback in the province of Chih Li, and to spend three summers entirely amongst the rustic Chinese of the Peking plain. In 1872, I walked about 200 miles from Kewkiang to Hankow; in 1880, I covered, on foot and by chair, about 2,000 miles in Sz Ch'wan, Hu Pêh, and Kwei Chou provinces, besides journeying over 1,000 miles in boats; in 1883, I must have travelled, chiefly on foot, but also by boat and chair, some 1,500 miles in Fuh Kien and Chêh Kiang; and, besides all these tours, I made a number of short journeys from time to time in Kwang Tung, Hai-nan, Kiang Su, and An Hwei. Finally, during 1888, I undertook a special study of emigrant Chinese in Tonquin, Cochín-China, the Straits Settlements, Siam, Burma, Sumatra, Java, Australia, Fiji, New Zealand, the United States, and Japan. In 1885-7, I spent two years in Corea; in 1892-3, a year in Burma. I introduce the subject with these preliminary remarks, partly in order to justify my presumption in writing at all, and partly in order to show how hopeless it would be to include specific evidence¹ upon Chinese labour from all these places within the short limits of this paper.

Roughly speaking, I have found that the average cost in China of unskilled labour is about 100 copper cash a day; of skilled labour anything from that sum up to 300 cash a day. In spite of the fact that "copper cash" has no definite meaning, and that silver has no definite quality or weight; that there are base cash, fine cash, nominal cash, paper cash, imaginary cash, clean dollars, "chop" dollars, Government and local taels, different touches of silver, and so on; still, the broad fact remains that "300 cash" means from a franc to a shilling *per diem*; and "100 cash" thus means about fourpence. Inland, where money

¹ Evidence of the most detailed description is given in a report (No. 24,867) printed for the Colonial Office and the Foreign Office in 1888; and also in a book (published and sold in Hong Kong only) entitled *Up the Yangtze*, 1881.

is scarce and little used, it is usual for the fourpenny-man to receive his food, and, in addition, 1,000 to 1,200 cash a month : in other words, a sum of from 60 to 70 cash, or, say, threepence a day, is ample wherewith to provide a healthy labourer with solid wholesome meals. If he has a family, he probably also owns a patch of land : in any case, he must use the cash balance according to his own lights. Just as our clerks are expected to keep up respectability on salaries little, if anything, in advance of fitters' or boiler-makers' wages, so in China the literary man not yet *arrivé*, the schoolmaster, the scribe, the fortune-teller—all these—can and do live on much the same pay as the workman or agriculturist, except that their sedentary life enables them to economise a trifle in food in order to launch out in "respectability." I have never had any difficulty in engaging good scholars at from six to ten Mexican dollars a month, nothing found. The fact that a Mexican was once worth 4s. 2d., like the American dollar, scarcely affects the economy of internal China, although it has recently fallen to the neighbourhood of eighteenpence : cash have become dearer, as I once explained in the *Economist* ; but, after all, things have shaken down much on the old lines.

Of course, life at the treaty ports, and notably at such great centres as Shanghai, Tientsin, and Hankow, has seriously affected this primitive condition of affairs. And long before the wages of artisans, servants, masons, and builders went up, Chinese sailors had already for years been drawing huge pay : for instance, I distinctly remember, thirty years ago, signing on the roughest class of seamen at \$16 or \$20 a month, or about double the pay of the highly-educated Chinese gentleman who was at the moment assisting me to ascertain their names. Since the "Boxer" wars, the awakening of China, the enormous demand for Chinese labour created by the Russians and by the different railway syndicates, of course the market must of necessity be still more disturbed ; and it is an undoubted fact that, all over the Far East—in China, Japan, Corea, Annam, and Manila—prices are rapidly going up all round ; luxury is increasing, and life assumes a broader scope upon a more expensive scale. Still, it must be remembered that (apart from Manchuria) there are not 10,000 adult civilian Europeans in the whole of the five countries named, and consequently the artificial demands created at a few oases in the vast desert of poverty cannot have a very widely extended effect upon the average simplicity of Chinese life.

I have often watched the hundreds, and even thousands, of return emigrants from Siam and "the Straits," landing in boats

quite close to my window, from the steamer in the offing at Hoihow. The same scene may be witnessed almost daily in the season at Swatow and Amoy. Hongkong is so busy and miscellaneous a place, that a proportionate or even larger number landing also there, is quite swamped amid the gigantic daily passenger traffic by junk and by steamer, with Canton, Macao, and the mainland. No matter where a coolie goes to, and what he does, he earns abroad at least ten, and usually nearer twenty Mexican dollars a month. America and Australia are rather out of court now, and, at any rate, the special restrictions they impose call for a special class of emigrants, who circumvent the law in special ways. But, apart from these two places, all Chinamen may be said to emigrate to rice countries, where rice is even cheaper than at home. Moreover, there is a steady "chow" trade with China, i.e., an enormous export of "trash," destined for the coolie consumer abroad. Besides, the *ngapi* of Burma, and the corresponding fish sauces of Annam (*nuoc-nam*) and Siam (*nam-keng*), are agreeable to the Chinese palate, and are healthy withal: hence the Chinaman abroad lives very well on the same 60 cash a day—or its equivalent—that he needs at home; moreover, he gets—in most places—opium, gaming, theatre, and other indulgences; he enjoys a free, varied, and active life, beyond the reach of squeezes; and he invariably comes home with his \$200 a year tied round his waist. (Hence the extraordinarily heavy loss of Chinese life whenever there is a shipwreck.) He may come home on a visit once a year; or he may come only once in ten years; but, unless he founds a house abroad, his savings are certain to average about \$200 on the year. For 30,000 return emigrants every year, this means six million dollars, or £600,000, at least. Chinamen are slow to "found cemeteries" abroad, and they will never do so unless (as is the case in many English colonies) they feel permanently secure. A cemetery means, in effect, also a Chinese wife, and a legitimate one too; a solid house; investments; naturalisation; change in attire; but, strange to say, in spite of disloyalty to the dynasty, *never* the abandonment of the purely Manchu pigtail.

As the question of Chinese labour in the Transvaal is now occupying general attention, I may specially recall my visits to the Chinese-worked tin mines of Perak (Malay Peninsula) and Maliwun (Burma); also to the gold mines of Ballarat, some of which were under Chinese management. The impression left upon me in each instance was admirable. So long as agreements are kept, and Chinamen are treated with good faith and justice, there is no fear whatever of strikes or malingering. There are

dangers of "rows" (several of which I have myself witnessed) owing to family, "ancestral," and tribal feuds; or, too often, in consequence of some stupid foreign official suddenly and peremptorily introducing new regulations, without giving adequate notice, or without considering and allowing for the Chinese religious and social prejudices. I take it the German-Jew element in South Africa would require particularly close Government supervision in order to make sure that the Chinaman's stipulated rights and privileges were in no way evaded by the cosmopolitan millionaire, for it was precisely amongst the Germans in Sumatra that I noticed, in 1888, a tendency to be overbearing, and to take advantage of unprotectedness. Possibly this is not so any longer. If Chinamen are imported, there ought to be imported with them an English official akin to the Protector of Chinese in Singapore, speaking the dialect or dialects of the coolies, and totally independent of the moneyed magnates of the Rand, and of their favour. Moreover, there ought to be a Chinese consul, and precautions should be taken that he be not of the "squeezing," or money-making order. The best way to teach China self-respect is to respect her, and leave to her a legitimate control over her own destinies. The English Protector should have a small staff of clerks and writers, capable of issuing and printing the requisite notices, proclamations, and agreements in the Chinese language. Arrangements should be made for the importation of rice and "trash" free of duty. By "trash" is meant paper-money for the dead, incense sticks, spatchcocked ducks, preserved eggs, bamboo shoots, sea-slugs, seaweed, dried and salt fish, and all the innumerable curiosities, edibles, medicaments, and condiments in which Chinamen delight. Chinamen require no priests; they rear their temples and manage them in their own local way. It will be impossible to exclude opium; the only thing is to minimise the evil by placing it under Government control, and giving the labourer a bonus on the profits made out of him to take back home with him. The greatest precautions should be taken to facilitate the temporary and respectful stowage of coffins in properly protected places; and, when the relative is prepared to take the corpse home, to make reasonable, safe, and cheap arrangements for the carriage. There are many other points connected with Chinese fads and prejudices which it is impossible to enumerate here, but which should be most carefully placed in the hands of experts.

It is popularly supposed that Chinese miners object to working underground; if it occasionally be so—which it is—it is on account of their ignorance in the past of the precise effects of fire-damp;

for this reason they *prefer* surface work if they can get it; but I have seen native-worked coal-mines at several places in Hu Pêh and Sz Ch'wan, where the shafts, though not perpendicular, ran sloping for considerable depths into the earth. The passages were ventilated by an ingenious system of water-wheels, fitted with "cog-fans," and the coolies wore ordinary oil-lamps made fast round their foreheads. The foremen, who seemed to understand something of the principle of fire-damp, said that these lamps were perfectly safe so long as the ventilators were kept active. But, besides these native mines, I have seen hundreds of cheerful Chinese "operating" the various French coal-mines in Tonquin and Annam, where the shafts were perpendicular.

Interest is remarkably high in China. In country villages there is no difficulty in getting 15, 20, or even 30 per cent. on money carefully lent out. Land is also cheap, and for \$200 a Chinaman can purchase or rent enough to live on. But, in addition to that, every Chinese is a born huckster, and with a capital of from \$200 to \$1,000 he can even set a whole family or tribe upon its legs. It is by no means unusual in many parts of China to invest money in another man's shop or trading-junk, sharing the profits *pro rata*. Or there is a system of mutual loans, under which each person of ten or more contributes, say, \$100; and each takes his turn, by lot, to enjoy the use of the whole \$1,000 for one year. Consequently the return coolie with a bladder of dollars tied round his waist has a grand future in store; and so cognisant has the Chinese Government become of this, that within the past two years official rules for the protection of return coolies "with their pile" have been put in force at Amoy and other places. Women can be bought for a few shillings apiece, and on two occasions when (in Hankow and Hainan) I have engaged literary men at \$10 a month, they have invested their first month's savings in a wife. It may, therefore, be imagined what a harem \$200 would buy, were the returned wanderer uxoriously inclined.

E. H. PARKER

THE CRISIS IN THE COTTON INDUSTRY

THE main causes of the crisis through which the cotton industry has been passing during the last eighteen months are : (1) The scarcity and dearness of the raw material ; (2) the violent fluctuations in its price ; and (3) that these have been aggravated by speculative manipulations in the markets for raw cotton, more extensive, more effectively organised, and more powerfully supported financially than any ever known, even during the " cotton famine " of the 'sixties.

Such conditions are unfavourable to the steady and profitable carrying on of almost every regular industry. If the prices of manufactured commodities could be promptly adjusted in accordance with an upward movement in the markets for their principal raw materials, the manufacturer might regard it with some composure, and there would in most cases be no serious interruption arising from this source in the industrial processes. But for well-known reasons the adjustment, in the case of the British cotton trade, is always exceedingly slow, and, in many of its departments, is often long delayed. The English cotton industry is very much more varied in its products than any other, and is singular in that the markets for its products are world-wide. It may happen, therefore, that in one department or another the demand for them may be so urgent that prices of the finished commodity respond more or less quickly to an increase in the cost of production. Such instances have occurred in the course of the present crisis, but they are quite exceptional, and they are not of sufficient importance to vitiate the broad statement that the cotton industry of this country has been, and still is, suffering from scarcity of raw material, and its attendant aggravations, in a measure far greater than those who are not acquainted with the facts are likely to be aware of. The losses of employers by the disappearance of profits, by the stoppage of machinery, or by fluctuations in the cotton markets, and those of the workpeople by irregularity of employment, since the beginning of 1903, are roughly

estimated at between £3,000,000 and £4,000,000, and they are not yet ended.

But the trouble has not been confined to the cotton industry of the United Kingdom. That of the United States has also suffered very severely, and to a less degree the like industries of the European Continent. Even the cotton spinners of India have had to endure some of its consequences, for although the production of their raw material—the shorter stapled Indian cotton—has increased, the demand for it on the Continent as a substitute for American has become larger, and its price has consequently risen considerably. German cotton spinners have escaped the full consequences of scarcity by the fortunate recovery last year from the previously existing depression of trade. In Germany, and, indeed, in nearly every other country except England, the production of cotton goods is consumed chiefly within the country itself. Very little relatively is exported. With the German revival came a greatly enlarged home demand for cotton manufactures, and since stocks of them in the hands of distributors had been greatly reduced, the demand for fresh supplies became large and urgent. Merchants and retail drapers bought for future delivery in enormous quantities. Spinners and manufacturers received orders, therefore, which placed their production under contract far forward, and they in turn bought raw cotton very freely for the purpose of covering their sales. All this happened before the prices of raw cotton were driven up to the highest range attained within the last few months. It is not difficult to understand, therefore, that German cotton manufacturers have escaped the extreme severity of the crisis, and have, indeed, endured very little of the loss which has fallen upon the British cotton industry. Moreover, Continental spinners have found some relief from the increased crops of the shorter-stapled Indian cotton. This is suitable for the coarser “counts” or “numbers” of yarn spun by them, but English spinners, who produce, on an average, very much finer yarns, cannot substitute Indian for American, still less for Egyptian cotton. The scarcity is of the longer-fibred cottons—American and Egyptian—which are almost entirely consumed in the United States and in Europe. But it is the result rather of increased demand than of diminished supply. It is true that the last two American crops—those grown in 1902 and 1903—yielded less than an average amount per acre, and that if the previous estimates, based on a normal rate of production, had been realised, there would have been no very serious deficiency. But the prominent fact is that the world’s consumption

of the longer-stapled cottons has for several years been growing steadily. How far this expansion is due to the very low prices of the fibre which for nearly ten years prevailed until 1903, it is difficult to determine. Quite certain it is, however, that cotton finds its way into many channels of consumption when it is very cheap, in which it is little used when it is dear. Dearthness also tends to restrict the employment of cotton even in its accustomed sphere, as cheapness does to enlarge its consumption. This is largely a question of competition between the various textile materials and of their relative prices. The present crisis, then, may be attributed partly to two short crops in the United States, and partly to a progressively increasing demand. The scarcity has not come entirely without warning, for even in 1901, and previously, the stocks of American cotton at the end of each season had become exceedingly small, and the minds of Lancashire spinners had been directed to these symptoms of barely sufficient supply.

It was the incipient anticipations of scarcity thus created which led to the founding of the British Cotton Growing Association about two years ago. Its aim is to extend the production of cotton in British territory, the limit of its operations being determined by the fact that within this area the most promising new and extended cotton-fields are to be found, and by the necessity of seeking the co-operation of the various Colonial Governments in the enterprise. The troubles of the last eighteen months have given great prominence to the work of the Association, which has already laid the foundation of a substantial addition to the supply of cotton. Its expert agents have for some time past been usefully employed in pioneer operations in the West African Colonies, which promise to yield important results before long, and similar efforts are being made in British East Africa, Central Africa, the West Indies, and elsewhere. Cotton seed, cotton gins for the separation of the fibre, motive power, money advances to planters, have been judiciously supplied to an extent commensurate with the financial resources of the Association. The co-operation of the local administrations has also been successfully evoked, and there is a fair prospect of seeing, within the next two or three years, the substantial beginning of a permanent addition to the supply from regions which have hitherto contributed little or nothing towards satisfying the requirements of the machine cotton industry of the world, although most of them have produced the fibre in very small quantities for local handicraft manufacture.

I have stated that a contributory cause of the present crisis is

the unusually small production of cotton per acre in the United States during 1902 and 1903. In 1897 the area planted was 22,057,000 acres, and the yield 11,181,000 bales. In 1898 the area was 23,174,000 acres, and the yield 11,235,000 bales. But in 1902 the area was 27,847,000 acres, and the yield only 10,758,000 bales. In 1903 not less than 28,996,000 acres were planted, and the crop, the exact amount of which is not yet determined, promises to be not more than 10,300,000 or 10,400,000 bales. This year the process of planting is just being completed, and although no statistics of its extent are yet available, it is probable that the amount may reach 30,000,000 acres. It is obvious, however, that even if last year's acreage be not exceeded, there is a possibility, if the growing and harvesting season should be as favourable as it was in 1897 and 1898, that the crop of 1904 may be as much as 13,000,000 bales. What will be the effect of anything like so large an increase upon the crops of the last two years? The answer is not easily determined. Respected authorities say that however great may be the quantity grown, the amount actually gathered and brought to market is conditioned by the supply of labour in the cotton fields, and that this is insufficient to secure so large a crop as could be brought to maturity in a favourable season upon an area of 30,000,000 acres. It is no doubt true that the negro field population in the American Southern States increases very slowly, but it is being steadily augmented by the settling of Italian cultivators who grow cotton on small farms, on their own account, and already they have proved very successful in that capacity, being very much more efficient than the independent negro farmers with whom they compete, on quite friendly terms, side by side.

It thus appears that the scarcity now existing may even this year be sensibly relieved by a substantial addition to the supply from the United States. Much of it will, of course, be required to make good the depletion of stocks both of raw cotton and of cotton manufactures which the scarcity of the last two years has brought about. In that case, prices are not likely to recede immediately to the very low level prevailing between 1890 and 1900. But anything like "famine" prices will very soon disappear.

The further question arises, What will be the effect upon the efforts to promote the growth of cotton in new regions, if prices should at all approach the low range experienced in the last five years of the nineteenth century? Obviously the incentive to encourage the new movement will not be so strong as it is now. And yet enough information has been gathered by the investiga-

tions of the Cotton Growing Association to warrant the belief that a permanent addition of considerable importance to the supply of cotton will remain as a result of the new effort. This fact is enough to encourage the promoters of the movement to persevere in their enterprise, and to justify their claim to public support. Their object is of national importance, and perseverance in its pursuit will be justified even if the United States crop of the present year should prove as large as the most sanguine estimators are inclined to anticipate.¹

ELIJAH HELM

¹ From an instructive statistical statement recently prepared by the United States Department of Commerce, I take the following figures, presenting at a glance the average proportional prices of American cotton, and of a few leading descriptions of cotton woven goods in the United States in each year from 1890 to 1903 inclusive. The basis, viz., 100, indicates the average prices for the ten years 1890-1899:—

	" Middling " raw cotton.	Printing cloths.	Sheetings.	Drills.
1890	142·9	117·7	117·6	121·1
1891	110·8	103·5	112·3	114·6
1892	99·0	119·3	103·8	102·2
1893	107·2	114·6	107·7	105·6
1894	90·2	96·8	95·9	97·1
1895	94·0	100·9	94·6	93·2
1896	102·0	90·9	97·4	100·2
1897	92·2	87·6	91·8	90·4
1898	76·9	72·6	86·7	86·8
1899	84·7	96·3	92·2	88·5
1900	123·8	108·6	105·9	105·0
1901	111·1	99·3	101·8	102·2
1902	115·1	108·9	101·4	102·0
1903	144·7	113·3	110·6	109·9

It will be observed that whilst raw cotton was, in 1903, 44·7 per cent. above the basis number, the three typical descriptions of woven goods were, on an average, only 11·27 per cent. higher than their respective bases. It is, of course, not to be expected that manufactured commodities should rise or fall in exact proportion to the measure of similar movements in the raw material entering into them. But the rise shown in the last three columns, in 1903, is relatively much less than that shown in the first, even after due allowance is made for the comparatively unchanged cost of the other factors in the process of manufacture. It should further be noticed that the disparity between the prices of raw cotton and of manufactured goods has become very much greater in 1904 than it was in 1903.

REVIEWS

Fifty Years of Progress and the New Fiscal Policy. By LORD BRASSEY, author of "Work and Wages," &c. (London : Longmans, 1904. Pp. 111.)

IF Lord Brassey were only known to the public as the author of "Work and Wages," his opinion on the fiscal question would receive respectful attention. But, as a matter of fact, his wide political experience, both at home and in the Colonies; his association with Chambers of Commerce; his work in industrial education and social reforms, have given him an unrivalled training for forming a practical, common-sense opinion on the questions at issue. It is significant of his judicial mind that in the last chapter of this book he approves of the appointment of a Royal Commission to inquire into the whole subject, although, perhaps, the case for Free Trade has never been more forcibly presented within small compass, and within the power of the general reader, than in the book under review. As the author states, the book is a compilation, but in a subject of such complexity as the fiscal question everything depends on the method of selection. Judged by the results, that method has been admirable, and the materials are so presented that the fact of compilation is never prominent—the book reads as the natural product of one mind. One reason, no doubt, for this excellent concealment of the selective process, is the excellence of the connective tissue provided by the author. Chapter VI., on Retaliation, is one of the best, and is a good example of the author's method. Incidentally there is an account of the way in which international transactions are settled, which not only shows the difficulty of the policy of retaliation against particular nations, but also shows in a way that can be followed by the ordinary reader the *rationale* of the balancing of exports and imports. Again it may be pointed out that the writer admits that there may be cases worthy of deliberation, and it is not contended that the power we possess as the best foreign customer of every

industrial nation should never be used. Throughout, the author shows that he is not content simply to take up a purely *laissez faire* position. The chapter on Imperial co-operation in Colonial development, and that on neglected opportunities for trade and new employments for the least capable, contribute positive elements to the solution of the difficulties that perplex so many who think that something is wrong, and that something ought to be done. In conclusion it may be said that the book shows a rare combination of vigorous decision and of judicial fair-mindedness, and may be read with pleasure and profit by those who take opposite views on the fiscal question, and whether they be of the learned or the unlearned types.

J. S. NICHOLSON

Free Trade a Failure from the First. By THOMAS PENN GASKELL.
(London : Macmillan. Pp. 91.)

THIS is another of the books which had been almost finished before the appearance of the Fiscal Blue-book in September, 1903. Possibly at the time the book was written there may have been statements made on the side of Free Trade by over-zealous and ill-instructed partisans to which the arguments here adduced might have been considered as answers. Now that the controversy has raged for many months, and extreme opinions have been qualified by criticism, the present work cannot be said to have any practical bearing on the subject ; it is already hopelessly belated ; the whole survey is too contracted, and the history and the theory are too old-fashioned to have any influence at the present stage. The history is, indeed, defective from any point of view. The main idea is given in the first chapter. The object is to show that the increase per annum (at compound interest) in the value of our exports has been no greater since Free Trade than it was before Free Trade. In this comparison, before Free Trade means from 1827 to 1846, and after Free Trade means from 1846 to 1902. The year 1846 has been almost as fatal to fiscal perspective as 1872. The author constantly argues as if in the year 1846 Free Trade was definitely and completely substituted for Protection. There could be no greater mistake. To say nothing of Huskisson's reduction of the tariff, 1823—25, we are told by Porter, in the "Progress of the Nation," there began with the year 1831 a series of reforms under Lord Sydenham which in the course of eight years resulted in the reduction or modification of the

duties on more than 700 articles of importation, and it is largely to these fiscal reforms that Porter ascribes the expansion of trade that then occurred after a long period of stagnation. Peel's Budget of 1842, which Mr. Morley calls the greatest of the century, led up to the reforms effected in Gladstone's great Budgets after 1846, and it was not till 1860 that the rule was established of taxation for revenue only. It is, of course, quite true that the abandonment of Protection has been only one of the causes affecting the commercial expansion of Britain—there were the railways and steamships, and more generally all the improvements in production and communication; there were also various social reforms which increased our industrial efficiency. But the writer of this booklet gives a very meagre account of these influences compared, for example, with the well-known studies of Sir Robert Giffen. It is true, also, that Free Traders of the simple and popular order have exaggerated the effects of the repeal of the Corn Laws on the actual average of the price of wheat; they have talked as if before 1846 there was always dearness and famine, and after always cheapness and plenty. But for all that the simple Free Trader is more just than the simple Protectionist. If the Corn Duties had been retained (even those of 1842), either the increase of population and the expansion of trade must have been retarded, or the average of corn prices must have been far higher. Indeed, our author admits that the old duties were too high; and by analogy it may be presumed he would admit that most of the other Protectionist duties were too high. So far, then, on his own reasoning, Free Trade got rid of useless or hurtful fiscal burdens, and apparently the failure of Free Trade must be due to the fact that the abandonment of Protection was carried too far. This is, of course, the case for the scientific tariff and the policy of negotiation and retaliation. But it is difficult to see how that case is strengthened by the chief argument of the booklet, namely, that the progress of the nation, as measured by the rate of increase of the exports, was as great in the twenty years before 1846 as on the average in the fifty-six years after 1846. The logical conclusion would appear to be that the imposition or the remission of duties varying between the extremes of ultra-protection and universal taxation of commodities on the one side, to the taxation for revenue only by means of a very few duties, on the other, has had practically no effect on the course of trade, but that the expansion of exports goes on at the same rate, whatever the fiscal *régime*. The truth is that the whole question of the success or failure of Free Trade is far too

complex to be decided by the simple method of the rate of increase of exports on this and that side of 1846. So far as this method proves anything, it is in favour of Free Trade ; for if we extend our survey back to the beginning of the nineteenth century we find, in the words of Professor Ashley ("Tariff Problem," p. 54), that "British exports made no sustained progress between 1805 and 1835," which was a period of extreme Protection. The expansion began in the 'thirties, and continued in a marked manner (with oscillations) up to the famous year 1872. "And," says Professor Ashley, "it is fair to attribute a considerable part of this increase to the Free Trade policy of the country." The argument of our author proves too much even for the most advanced fiscal reformer, and is, indeed, a *reductio ad absurdum* of the increase of exports test.

J. S. NICHOLSON

Free Trade and the Empire. By Professor WILLIAM GRAHAM, M.A. (London: Kegan Paul. Pp. 121. 1s. net).

PROFESSOR GRAHAM does not approve of a 10 per cent. tax upon manufactured imports, nor of a preference upon meat, nor of a schedule of forbidden industries. Retaliation of certain descriptions he considers "equitable," and a small preference upon corn beneficial, as tending "to prevent the ultimate rise in price in the United States from increased demand and greater expense of production" (p. 59). He makes out a good case against a self-sufficient empire ; "for so sure as we make the self-sufficient empire our immediate aim we shall be forced to extend the fiscal scheme to raw materials, and we shall be beaten in the general competition ; our vast commerce in the neutral markets, that we might easily retain and increase, we shall lose in pursuit of largely illusory gains" (p. 109). The most convincing chapter in the book is the final one, where the obstacle to Imperial Federation presented by the affection of our Colonies for self-government is discussed. The conclusion reached is : "The only fatal policy is to anticipate and force the future by premature institutions or policies which, in all probability, would have exactly the opposite effect to that intended. The Empire as it stands is not at all in a bad condition ; it can afford to wait, and can endure with benefit a good deal of 'letting alone'" (p. 121).

The tone of the book is moderate ; but its economic argument appears to the present reviewer loose and unsatisfactory. It is

difficult to understand Professor Graham's attitude towards the broad general theory of the relation between imports and exports. In certain of his criticisms of Mr. Chamberlain he appears to accept the ordinary view, but he himself puts forward Protectionist proposals against which these criticisms are equally applicable. On pages 7 and 8 observations are made upon "the theory of comparative cost," from which it seems that the writer has misapprehended the nature of that theory. On page 33 he makes the stock comment upon the statistics of our export trade, omitting to observe that it is vitiated by neglect of price changes. The chapter on Retaliation contains a great deal about what is and is not "justifiable" and "fair." It urges that the policy would succeed because "in most cases we should have the consumers (in the foreign country) on our side." Towards the close it passes from Retaliation to protection against dumping, which "ought not to be allowed to continue, as it sins doubly against fairness." Two entirely distinct kinds of "dumping" are mingled in inextricable confusion, and there is displayed a lack of familiarity with the facts recorded in Mr. Schloss's Memorandum to the Board of Trade.

The first two pages of the chapter on Preferential Tariffs seem to contradict one another. Further on it is urged that preference will stimulate wheat-growing in Canada and check the rise of prices which would otherwise come about,—as though that rise of prices would not of itself stimulate wheat-growing! The latter part of this chapter is devoted to a discussion of the cases in which Protection is justifiable. The fallacy about the competition of cheap foreign labour plays a prominent part in it.

The book as a whole is disappointing. The argument is weak and to all appearance inconsistent. It is possible, of course, that, in forming this judgment, the reviewer may have been biassed by his distaste for certain of the conclusions reached. If that is so, he can only ask pardon for a frailty that is not uncommon.

A. C. PIGOU

National Progress in Wealth and Trade. By A. L. BOWLEY.
(London: P. S. King. Pp. 88. 2s.)

MR. BOWLEY's work belongs to a small class—Soetbeer's *Materialien* may be instanced as one of the few other examples—characterised by impartial statements, which command the

respect of disputants on either side of a heated economic controversy. The modesty of the true statistician contrasts favourably with the hectoring tone of political partisans. Mr. Bowley's main position is thus cautiously stated:—
“Our information is not sufficient to allow us to form an absolutely certain judgment as to our recent progress.”
“It is conceivable that the facts that we do not know may present an appearance opposite to that of the facts that we do know, as it is conceivable that the hidden hemisphere of the moon differs from that which we see; but it is *prima facie* improbable that the same main causes are presumably acting in the unknown as in the known.” All the phenomena in the observed economic hemisphere—the changes of occupation, the progress of wages, the increase of national income, and so on—suggest that we have made considerable progress in wealth and welfare during recent years.

It is true that there has been a diminution in the numbers employed in certain occupations, in particular the textile trades. But what of that if the numbers employed in other occupations, such as the production of iron and steel manufacture, have increased? The shifting of occupations is often a mark of progress to a higher level. Men earn more, not only because the same work is paid more highly now than formerly, but also because the proportion of men in the better-paid occupations has increased. Half of the total increase of average wages—some thirty per cent. in all—during the last twenty years is accounted for by the change from the less to the more highly skilled occupations. From this point of view the drift from agriculture into other industries does not seem an unmixed evil. In 1886 the average weekly wage of English agricultural labourers (including all perquisites) was about 14s. 6d., while the average for the great bulk of other trades was about 24s.

The increase of 30 per cent. which we have mentioned refers to money wages. It is further to be taken into account that the prices of most commodities purchased by the working-classes have fallen by about 8 per cent. It would appear, therefore, that the increase in real wages is some 40 per cent. This estimate derives confirmation from Mr. G. H. Wood's brilliant calculation, by way of index-numbers, of the increase in the consumption of necessities and common luxuries. On the other hand is to be set the increase of rent in towns. Mr. Bowley, with characteristic caution, contents himself with the conclusion that
“the value of £1 in the hands of a working-man has, at any rate,

not fallen in the last twenty years; while the evidence, on the whole, is in favour of the rise in the purchasing power of money."

To return to the trades, of which the decreasing numbers have excited alarm, it is to be noted that the products per head of population, as measured by the quantity of raw material used up, have increased in many cases. Mr. Bowley does not pretend that there has been progress in all trades—linen and silk, for example. But he finds that the falling off in the export of some manufactured commodities is compensated by the increased export of others. This compensation may occur in ways which escape the attention of uninstructed observers. "Germany imports wool from Australia; Australia imports machinery from England; England imports chemicals from Germany; an increase in the last might easily cause an increase in the second, but the loss (if any) to the English chemical manufacture would not be obviously connected with a gain to the machine producers." It is justly observed by Mr. Bowley that the amount of loss incident to the substitution of one export for another depends mainly on the rapidity of the change. But there is no evidence of change so rapid as to be disorganising on a large scale.

The vulgar belief that our exports may be indefinitely reduced by the increase of foreign imports, as it cannot even be conceived in thought, so it derives no support from fact. The more refined suggestion that our exports may, through foreign competition in the home market, be reduced, not in total value, but in the number of branches, so as to become more exposed to the vicissitudes of chance—this certainly conceivable case is not proved to exist. "Our exports have consisted, and do consist, of a great miscellany of goods of every description. The guarantee of their continuance is their variety." Nor do the statistics lend any confirmation to another ingenious suggestion, that our exports tend to be the product of low-paid and unskilled labour. Rather, the increase in the numbers employed in the iron trade, even more than in the quantity of iron used, suggests that employment is increasing in the more advanced metal trades (such as machines and ships) rather than in the earlier forms (refining, casting, &c.). This explanation is indeed admitted by Mr. Bowley to be "conjectural"; yet better founded, we submit, than the contention that our manufacturing power is becoming decadent and degraded. "The handling of metals," says Mr. Bowley, "is as meritorious as the handling of textiles, the making of machines as the making of cloth."

One of the circumstances which has excited great alarm, the

slow increase in the volume of our exports, appears to be connected with a very satisfactory incident, namely, that we are now obtaining a large return of imports per unit, so to speak, of exports. We are, in Mill's phrase, getting our imports cheaper "in the sense of cost," the sense in which "a country gets a commodity cheaper when it obtains a greater quantity of the commodity with the same expenditure of labour and capital." This inference, from the change in the average prices of imports compared with the corresponding charge for exports, has been set forth by Mr. Bowley in the *ECONOMIC JOURNAL* for September, 1903.

Some of the above-mentioned lines of proof—not the last one, of course—may be employed to prove the progress of foreign nations. "The figures we have indicate considerable progress and, as in the case of the United Kingdom, the burden of proof rests as yet with those who deny it." Mr. Bowley argues that the progress in the export trade of foreign countries involves an increased demand for the products of their customers. His reasoning is economically sound, but is not altogether reassuring to patriots who prefer power and pre-eminence to prosperity. Let us suppose, for the sake of argument, that those are in the right who are not satisfied with the progress of their country unless it is greater than the progress of other countries. And let us entertain the further supposition that, if the new inquiries which Mr. Bowley suggests were carried out, the hitherto unseen economic hemisphere should prove less fair than that which has been observed. There would still remain the question whether the remedies proposed by Protectionists would correct the relative or absolute *malaise* of trade. This is a question that Mr. Bowley has very properly not touched. It belongs to political economy rather than to statistics.

F. Y. EDGEWORTH

Economic Inquiries and Studies. By Sir R. GIFFEN, K.C.B.
(London: George Bell and Sons, 1904. 2 Vols.)

THE appearance of these volumes is peculiarly well timed, as they contain a valuable body of material from the hand of a master of statistics, bearing directly on the question which has been forced on the public attention during the past twelve months. But the fact that the essays here brought together have been gradually worked up during a period of more than thirty years is sufficient

to refute the idea that the work is merely of temporary interest. The presentation in collected form of Sir R. Giffen's reasoned discussions and conclusions is a gift for which the economic student must be grateful. Some, indeed, who have had the *Essays in Finance* in constant use, privately, and in the class-room, may feel that a third series containing papers later than 1886, and hitherto uncollected, would have been more convenient to them. Thus the classical study on "The Use of Import and Export Statistics" is reprinted in the present work, but other papers are omitted; e.g., the "Further Notes on the Progress of the Working Classes," in the second, and that on "Recent Accumulations of Capital," in the first series of *Essays in Finance*, which are nearly as necessary for reference purposes. Perhaps Sir R. Giffen has not realised the extent to which his researches are used by economic teachers, or has felt that the general reader has a stronger claim on him. It might also be suggested that the inclusion of such studies as that on the "Excess of Imports" (*Stat. Journal*, March, 1899, which is really the continuation of the earlier one on "Import and Export Statistics") would have been an additional boon to students and teachers, which may, let us hope, be bestowed on us in a new edition. The same opportunity might also be utilised to transfer the analyses of the several papers now given in the Index to their natural place in the Table of Contents.

An author so distinguished as Sir R. Giffen is, however, entitled to select the portions of his writings that he deems best suited for the particular time, and may well claim to present his views in a particular grouping, as also to preserve what is, in his opinion, of most value. The present volumes are the outcome of such a process of choice.

The contents of the first volume are mainly a reproduction of part of the first series of *Essays in Finance*, which are so well known to readers of the ECONOMIC JOURNAL that they require little notice. Just now, the essay on "Mr. Gladstone's Work in Finance" has a special interest. It is well that a new generation should realise what a really strong Finance Minister can do, and also how easily a good opportunity may be missed if the man for the occasion is wanting. Gladstone's "splendid success" is explained by "his firm grasp of certain leading ideas. . . . We see this conspicuously in his notion about checking expenditure . . . his whole financial theory being plainly coloured with a passion against the waste of money. 'The cry,' he has lately said, 'is for more efficiency; but he had found that when any money was granted the cry was as loud as ever.' Perhaps more conspicuous

still is his impression of the power of Free Trade. The salient fact he got hold of from the first was the multiplication of the means of employment by taking off artificial restrictions " (Vol. I., p. 245). It is also instructive to find Sir R. Giffen, in 1868, writing as follows: " He [Gladstone] did not anticipate the overflow of prosperity which has marked the time. Free Trade measures, it should not be forgotten, were rather promoted at first to keep England from decaying altogether " (*ibid.*, p. 246). This statement disposes of the many reckless assertions about England's assured supremacy under Protection.

Two essays in the first volume deal with the vexed questions of Irish representation and Irish taxation. The earlier, written in 1876, asserts that " a real connection of some interest may in our opinion be established between " the two subjects. The conclusion is in favour of reducing the representation of Ireland to the proportion to which its tax contribution entitles it. The latter (of 1886) brings out the economic weakness of Ireland, and calls " special attention to the fact . . . that Ireland is over-taxed in comparison with Great Britain " (Vol. I., p. 453). The author's evidence before the Financial Relations Commission expands this view, which is rather difficult to accept. He is, at all events, mistaken in saying that the subject " has lost its practical interest in consequence of Government grants to compensate for Irish over-taxation, which have been accepted by Irish representatives as such compensation " (*ibid.*, note, p. 455). The Local Government grant of £732,000 could hardly be regarded as an equivalent for the millions which popular opinion in Ireland regards as the annual amount of its over-taxation, and against which the Nationalist members annually protest (in this year on the Finance Bill debates). The alleged financial grievance is now a little in the background—only waiting a suitable occasion to come again to the front.

Several of the essays in the second volume were originally contributed to this JOURNAL, and will be fresh in our readers' memory, but they undoubtedly gain by combination with the other " Studies," only one of which—the first—is to be found in the *Essays in Finance*. Perhaps the most important group of papers is that which deals with problems of national growth and prosperity, and their due measurement. One essay explains the difficulties of statistical comparisons between different countries in a way that brings out the futility of the attempts to prove by appeals to selected figures the comparative decline of English industry and trade. Thus it has been sought to show that France is wealthier

than England (a result, of course, illogically ascribed to its use of Protection), by reference to the estimated property subject to taxes. But Sir R. Giffen reminds us that "When property in two countries appears to be subject to a tax . . . on apparently much the same basis, the temptation is very strong to apply the calculated amount of such property per head to each nation respectively, but nothing could be more dangerous owing to the difficulty of the data. The laws and their administration in the respective countries need careful examination" (Vol. II., p. 75). The examination of the rate of material progress in England, in the decade preceding 1887, is equally illuminating both in its methods and results. The same principles are applied to the wider field of the British Empire in later "Studies," which may be regarded as the best statement on the statistical and economic side of the views of a sane Imperialism, which deals in sober realities and is free from the debasing influence of the lower Party politics. As one example, we may note Sir R. Giffen's treatment of the question of India, which he does not, like some Imperialists, leave out of account. On the growth of population in that country, he declared long ago: "I believe I am within the mark in saying that there is no more anxious subject for the consideration of our public men" (Vol. II., p. 18). Later on: "It appears to be the one great economic difficulty which the governing races will have to deal with" (*ibid.*, p. 238). The remedy is further development of the resources of the subject country. "A natural flow of capital to India . . . for the purposes of internal development, and the cultivation of a capacity to use capital among the native races themselves are, in fact, indispensable if the Empire is to prosper" (*ibid.*, p. 239). Economists have often been accused of neglecting the effect of international animosities and conflicts on economic phenomena, but the charge can be shown to be unfounded. Such inquiries as those on "The Cost of the Franco-German War," and "The Standard of Strength for our Army," are examples of the proper mode of treatment of the grave questions that arise in the study of the economic life of the world. We may, perhaps, think that Sir R. Giffen's allowance of £40,000,000 for each of our great Services is too large, but we have to consider carefully the elements of the problem before reaching such a conclusion. That higher pay for the soldier is necessary, if good men are desired, is indisputable. Whether 2s. per day for the private—the rate that Sir R. Giffen suggests—is too high, experience only can show. What is desirable is the

treatment of the matter from a strictly business standpoint, as a problem of insurance against certain risks.

On the existing debate over our fiscal policy, the author's judgment is clear and decided: "The argument for Free Trade generally, as expounded by the great authorities from Adam Smith downwards, appears to me complete, both theoretically and experimentally, while our own experience under Free Trade is surely a demonstration that a State which says 'hands off' to its Government in matters of business does better for itself than by letting Government intermeddle" (*Preface*, p. viii.). This "confession of faith" is supported by the critical examination of some of the doctrines and projects that after a long oblivion have reappeared on the scene. The essay "Are we Living on Capital?" is an effective exposure of the current fallacies as regards the alleged drain of capital to foreign countries; the author's statement is very blunt: "We have found that the whole talk on this subject, which we have been criticising, is sheer nonsense" (Vol. II., p. 301). The idea—"the dream" our author calls it—of a British Zollverein is dismissed as impracticable; but attention is called to expedients which might help towards Imperial consolidation. Such are better postal and telegraph communications, unity of money and commercial law, and negotiation of commercial treaties by the Empire as a whole. Unfortunately, these suggestions have not the attraction of heterodoxy about them, and therefore will not receive the attention they deserve.

In a concluding study we get a calm and hopeful survey of the tendencies of the time. Though economic conditions are changing, and the trade of the world with them, our leading statistician can declare that "In all respects the conditions for the industrial future of our country . . . are satisfactory. . . . If we do not succeed in the future as in the past it must be our own fault. Although we have many defects, there is yet no sign of want of success" (Vol. II., p. 423). This statement may be taken as outbalancing the many prophecies of British decline, just as the volumes as a whole may be regarded as far exceeding in value the whole mass of writing that the neo-Protectionists have put forth in support of their case.

C. F. BASTABLE

Economic Principles: An Introductory Study. By A. W. FLUX.
(London: Methuen and Co., 1904. 8vo. Pp. xx—324.
10s. 6d.)

THE reviewer of such a book as that which is now before us may, without fear of showing undue favour to the author, or of encouraging mistaken anticipations in his readers, commence with the frank admission that it is as easy to criticise, as it is difficult to write, a text-book on Economics. The mixture of blame with approval, which is expected from the critic, may on that account probably convey in such cases an impression which is not intended. For we must confess that some of the more conspicuous merits, as they appear to us, of Professor Flux's "Economic Principles" have created a doubt in our mind whether it should appropriately be described as an "Introductory Study." In not a few passages the author has furnished suggestions which, followed and developed, would, we believe, result in the illumination of some dark recesses of economic speculation, if indeed they did not issue in the positive enlargement of our economic knowledge. Even as they now stand they seem to us very instructive. But for that reason his book, in our opinion, is in many of its chapters suited to teachers rather than students. There are, we think, few, if there are any, teachers who would not derive stimulus and gain information from the close study of its pages. But we fear that the number of students who would experience no difficulty in fixing their attention on the argument or grasping the successive links in the chain of reasoning, must be select rather than large, unless indeed a competent mentor be always at hand to assist them with expert and instructed counsel. The writer of an introductory text-book may possibly intend to prepare his readers for the profitable study of some larger treatise or treatises, and such an intention, we imagine, was not absent from the thoughts of the author of this particular volume. Yet the execution of this limited design cannot present very powerful attractions to any thinker who is not destitute of originality, and the temptation to embrace the opportunity offered for stating conclusions to which his own reflections have led is so potent that it is rarely if ever resisted. Professor Flux states in his Preface that the volume "contains hardly any references" to other economists, and that in this course he has been actuated, partly, at any rate, by the motive of avoiding the introduction of "controversies" which, he says, could only interest "students more advanced" than those for whom he is writing, although he

acknowledges unreservedly his indebtedness to "many recent" authors. Yet we cannot but feel that the student who will appreciate Professor Flux's exposition must be so far removed from the status of a tyro that he would be no less competent to apprehend the main points at issue in such controversies. The author has, in our opinion, wisely refrained from introducing them within the limits set by his book. But it is because its contents would have been overburdened by their inclusion, that we arrive at this opinion; for the argument, as it stands, is in many chapters far from easy to grasp or retain. It demands, in fact, a mental effort which may be fairly expected from teacher or "advanced" student, but can hardly be anticipated or required in beginners.

For other than such advanced students it is unfortunate that the earlier chapters of Professor Flux's treatise seem to us to contain some of the more difficult of his reasoning. He removes judiciously, as we think, the actual employment of "mathematical apparatus" to a separate appendix; but he nevertheless appears to reviewers like ourselves, who can pretend to no expert acquaintance with such reasoning instruments, to have cast his argument, in those parts of his book where he discusses what may be described under the generic title of problems of "valuation," into a mathematical mould. It is natural that an economist with so distinguished a mathematical record as that possessed by Professor Flux should, perhaps insensibly, give this turn to the processes of reasoning and even the modes of expression which he favours, and we should be the last to deny the important nature or the conspicuous character of the influence exercised on recent developments of study by mathematical speculation. But when such questions of "valuation," which form the kernel of mathematical economics, are stated with the compression imposed on Professor Flux by the limits of his book, they certainly keep the mind of the reader at a tension, from the relaxation of which he experiences an appreciable relief when he is brought into more immediate contact with the facts clearly arranged and lucidly stated in later chapters, which deal, for example, with the modes of regulating the issue of paper money, with the balance of trade, or the mechanism of the foreign exchanges. It is indeed an example of the irony of fate that Professor Flux seems to us most admirable as an expositor for other at least than advanced students in those departments of his subject where the influence of the central theory of value, in its most recent mathematical developments, has hitherto been not very conspicuous.

For, from the standpoint of the teacher, the merits of his book

may be largely connected with the strong conception he has formed, and consistently presents, of the unifying influence of that central theory. Regarded as an exposition of this illuminating and comprehensive conception, the general arrangement of material appears to us unexceptionable. After an introductory chapter, in which the terms in common use in Economics are explained, he proceeds at the very outset of the discussion to treat of demand and value, and he then passes through the connecting medium of a chapter dealing with exchange and markets, to the consideration of the opposite but complementary aspect of the theory of valuation, which is found in supply and value. A chapter on some special problems of valuation follows, and Professor Flux then approaches the different shares in distribution, under the successive headings of problems of interest, rent, wages, and profits. Money and the mechanism of exchange, and paper money and modes of regulating its issue, are then discussed in their appropriate order. International trade is next expounded, and separate chapters are devoted to the balance of trade, to the foreign exchanges, and to free trade and protection. Lastly, the two final chapters are concerned with Government interference and taxation, and with the incidence of taxation. This scheme is, we think, admirably designed to fulfil the purpose, which is consistently maintained, of showing how the fundamental conceptions of the central theory of value pervade the whole region of economic analysis. The mutual interaction of the forces affecting demand and supply, the broad analogies which can be discovered and exhibited between the most conspicuous and important of those forces, and the determining influence of marginal additions and diminutions, are the main conceptions which have been brought into prominence by recent speculation. They are duly emphasised and sufficiently elaborated by Professor Flux. It is true that the application of the idea of marginal utility to money and to international value has hitherto, perhaps, been suggested rather than formally developed, at any rate in this country; and Professor Flux's book reflects the greater pains which has been bestowed on the central theory itself, as contrasted with these particular ramifications. But in his examination of the different shares in distribution, he points out that the very same broad principles are at work under modifying conditions. In his discussion of international trade he indicates the important bearing of the laws of increasing and diminishing returns on the appropriation by the various countries concerned of the gains accruing from such trade, and, similarly,

the proposals for graduated as opposed to proportional taxation find their theoretical justification in the conception of marginal utility. A theory of the probable action of monopolists, which, with more recent developments in the practical organisation of business, is becoming necessary to a complete system of economic principles, cannot be framed without the employment of the same broad notions, while, as the result of Professor Marshall's treatment of rent, which, we may hazard a guess, will be regarded by later economists as his chief contribution to the enlargement of theory, various unruly factors in the play of economic forces fall into their rightful position, freed from the exaggerated emphasis placed upon special manifestations of their influence by preceding writers. We can even entertain the possibility that the final solution of the knotty problem, skilfully handled in these pages by Professor Flux, of the determination of the marginal producer under a law of increasing returns, may ultimately be discovered in some such direction. For, if the notion be once firmly grasped that rent is the outcome of a differential advantage measured upwards from a margin, the significant conclusion follows that the margin may alter with any change in the circumstances and conditions under consideration. By this change of conditions, for instance, it becomes possible, as Adam Smith, perhaps, dimly discerned, and Professor Marshall has clearly shown, that the rent of land devoted to one crop may enter into the cost of production of another crop to which it might be devoted. From the same possibility of changing conditions the new conception of quasi-rent derives much of its real significance. But the very same conception of changing conditions is equally pertinent to the no less novel notion of consumer's rent; and from these various, but analogous, considerations we should draw the final conclusion that no very special difficulty need be presented by the idea that, where a law of increasing returns applies, the marginal producer may be continually altering, and yet throughout, in consistency with the general theory of value, he may be the determining factor on the side of supply. The introduction of the representative firm, favoured by Professor Marshall, and by Professor Flux following in his steps, may appear to be somewhat of a makeshift, and may not really be needed to save the consistency of the theory, any more than the conception, which accords with fact, that after a time even in manufacturing enterprise returns will diminish, and will not increase *ad infinitum*. But we have ventured on this interpolation mainly with the object of drawing the moral, enforced by Professor Flux's whole treatment, of the unifying

influence which the central theory of value can give to modern discussion. From the standpoint of the teacher, at least, nothing but praise can be bestowed, on this account at any rate, on this treatise.

It need hardly be added that Professor Flux is abreast of the latest developments of economic speculation. He approves, apparently, of the tendency recently manifest, to lay stress on risk as the distinguishing element in profits. He remarks that the "roundabout" methods of capital are productive because they utilise natural powers. He is aware of the new business developments which have resulted from the relations of prime cost to total cost. He emphasises that distinction between the functions of money as a medium and as a standard which has obtained fuller recognition as the consequence of recent monetary controversies. He passes in review the many diverse methods of remuneration which are comprehended in the payment of wages. These instances will serve as samples of the freshness and completeness which mark Professor Flux's discussion; but, if we wished to select two chapters for especial commendation as illustrations of his quality, we should name that on some special problems of valuation, and that on free trade and protection. In the former his mastery of the refinements of economic theory is unmistakably conspicuous, in the latter his acquaintance with the details of the most recent economic discussions is abundantly exhibited. The second of the two chapters is also characterised by a candour and impartiality which are qualities as rare as they are admirable in the treatment of this vexed question of the day. It is, we may add, the easier chapter for the unassisted student to understand, while the other is, perhaps, more instructive to the teacher. We cannot but think that both would have been materially helped had Professor Flux placed an analysis in the margin of his text, and divided his chapters into sections; and perhaps in a second edition he may adopt these suggestions.

L. L. PRICE

The Nature and Necessity of Interest. By G. CASSEL, D.Phil.,
Lecturer at the University of Stockholm. (London: Macmillan, 1903.)

THIS book has three parts, which may be called criticism, construction, and application respectively. Dr. Cassel thinks that the element of time in the theory of interest has come by more than its own in recent discussions. "Interest is governed by the

marginal productivity of the quantity of capital, as well as by the marginal productivity of the extension of the time of production " (p. 54). He is very exacting in the matter of theory. A great part of modern discussions on value seem to him to be wasted energy; like the late H. Dunning Macleod, he wants "arithmetical definiteness" (68), and, like Macleod, he considers that the economist should rest content with prices which are definite, instead of going behind them to values which are vague (69). Value is best treated as a particular kind of price, not *vice versa* (71). In an ideal state of social economics, price is "social value." In this ideal state the end and purpose of price in general are served with least economic friction; price brings the demand into harmony with the supply; it "cuts off such demand as cannot be satisfied." It is always a symptom of scarcity (74); it tempts to the producing of the supply of what is wanted; so great a supply, and no more, that no surplus is left either of labour or of goods (75); in fact, the ideal social value is cost price (76). Any factor of production comes under these principles, including the factor for which interest is paid (86). Interest (88—92) is "the price of waiting, or the use of capital," capital meaning "all produced goods, except such consumable goods as are already in the hands of the consumer." Capital includes durable goods, the consumption of which (a) takes time, and (b) can be separated from ownership. This distinction is enforced on our author, he confesses, by custom; a house is let separately, and is capital; a suit of clothing, once acquired, is not let separately, and is not capital (88). *Procul o procul este profani*; it is easy to make light of such distinctions; it is better to make them than to draw the line nowhere at all.

Dr. Cassel finds that capital is necessary, first, for the consumption of durable goods, which takes time; second, for production, since production, as a rule, takes time (87). But (he proceeds) it might have been necessary, and yet, like air and the other elements, have had no price. It has a price, because it "would be scarce" (or rather, would not be forthcoming at all) "if no price were paid for it" (93). The proof that a price of capital implies a scarcity of capital is given in chapters III. and IV., the former showing the causes that influence demand, and the latter those that influence supply. In civilised countries there is a constant and constantly increasing demand for durable goods, including not only large systems of fixed and circulating capital, like railways and waterworks, but houses and furniture to provide for the growing population (98—99). There is no sign that

the demand for such capital will be less, but rather that it will be more, in the future (106). A fall in the price (namely, the interest) of capital will add to this demand by lessening the cost of building, and, *pro tanto*, the rent (107). In the case of great engineering works, to say nothing of imperial navies and fortifications, the main consideration in the counting of the cost is the interest on the capital borrowed, and if interest went down to zero the extension of such works would baffle imagination (109, 123, 128). Dr. Cassel's arguments to show that the rate will not go much below 2 per cent. form, perhaps, the most original feature of his book. They come to a head in the fourth chapter on the "Supply of Waiting."

The ordinary source of this supply is the man who lives under his income, and what he spares in this way "saves." To save (in our time) means to invest, either through himself or through another to whom he lends (132—3), thereby turning production into one channel or another, with the usual risk and vicissitudes of productive business. Dr. Cassel seems right in treating the risk as a separable element from waiting, and in dismissing the claims of "abstinence" to any share in the solution of the problem of interest (134). He seems right, too, in giving attention mainly to the waiting for long periods, and treating short loans as negligible for theoretical purposes (135). Rates for money at call might go down to zero occasionally; but the rate for long loans must stop at about $1\frac{1}{2}$ per cent.

Mill had found the typical case of saving in the money-lover desiring a profit (*Pol. E.* III., xxiii.; IV., iv.), Thorold Rogers had found it in the prudent father and husband providing for self and family (*Manual*, ch. V.; cf. Cassel, 144). Dr. Cassel takes the latter view. It is the saving of the man who desires by means of the saving to provide for himself at the end of his working life something like the income he is spending in the prime of it. It will, as a rule, be considerably less than present spent income, for the working life, is, as a rule, too short to allow a man to accumulate (even if a third of the annual income be saved) more than is enough to yield in the future, as income, about what is annually put by now as savings. Suppose the total income £3,000, of which £1,000 is saved, and £1,000 contemplated as the future annual income to be secured by means of the saving. How soon a capital large enough to secure £1,000 as interest can be accumulated, will depend partly on the rate of interest. If the rate is six per cent. (at compound interest) it can be done in twelve years. If the rate is only

three, it will take twice as long. Working life from the time of adequate income, to the time of maximum income, rarely extends to much beyond twenty-four years; and if the rate falls to two per cent., there is hardly any prospect of success, in view of the uncertainty of life (146 *seq.*).

We arrive at the same result if we assume the time of accumulation to be fixed (say at twenty-four years), and the required savings to be large or small according to the rate of interest. They will then bear a large or small proportion to the annual income; they will be 30 per cent. of it when interest is 6 per cent., 91 per cent. of it when interest is 3, 160 when interest is 2. Who is sufficient for these things?

When the rate goes down, the provident person will be more and more tempted "to consume his capital"—in other words, not to save what will be enough to furnish a future income, and pass as capital to his family, but what will be enough to provide an income, and perish in the process; enough to provide an annuity for him after it has passed, as capital, not to his family, but to the insurance company. If he is sixty-five years old he can buy an annuity of £500 for a sum of £5,000; but if he did not consume his capital, but lived on the interest of it, he would (at 2 per cent.) get only £100. "In many offices" (to quote from a recent report) "a larger proportion of the premiums on new business is paid to secure provision for advanced years than is paid for assurance at death." Though as yet the figures show that both kinds of insurance are popular and the old-fashioned life-policy still heads the list, endowment insurance has increased at the faster rate; and the question is, will it overtake its rival, if rivals they be. Dr. Cassel seems to think that lowered interest will tempt so many to buy annuities instead of keeping hold of the capital, that the total savings of a country will be appreciably lessened.

But even as things stand the temptation exists. If a man is not bent on providing for his family in the way described, but is content to provide for himself, would he not find it always more economical to buy the annuity, and nearly in the same proportion more economical, whatever the rate of interest? Insurance companies are companies which undertake the risk from which no one individual can free himself, but from which the insurance company can escape because it can spread the risk over many individuals, and hardly err at all in its anticipations of the event. No individual is sure to live twenty years; but, out of 1,000 insured individuals of a given age, the insurance companies can be

nearly certain that only a limited number will have died at the end of the twenty years. The reasoning holds for the insurance of a sum to be paid to the family on the death of the individual; but even if it is only a matter of provision for the individual during his life, he will do better not to trust to his own accumulations and the interest on them, to accrue in a future that he may never reach, but to part with a smaller sum than those accumulations, and part with it absolutely for the consideration of present certainty.

What does not seem clear is that the lowered interest would not affect the insurer equally with the insured. The insurance companies, in the first place, borrow their funds, and not for nothing; the sums they give away as annuities bear a relation to the price they have themselves paid for these sums, and to the interest they can get on invested funds, on which they depend. The sum paid at death bears a relation to the premiums paid year after year by the insured person. Those who sell annuities or life policies need to allow for the low interest and raise their price according to it; the lowest price they can take for what they give depends on the price they themselves give for what they themselves have got. (*Cf. Cassel, p. 151.*)

In the second place, the capital said to be "consumed" has only changed hands; it has passed perhaps into more productive hands than the "consumer's." It is possible that Dr. Cassel means us to think of the sums that the provident person, on becoming an annuitant instead of an accumulator, does not now take the trouble to save. We seem then to be driven to the curious conclusion that the more a man insures the less he saves.

Most of us might be still in doubt whether the desire of saving for a family would not prevail over the desire of a purely personal provision. If the former took the shape of a life policy instead of laborious accumulation, the rate of interest would affect it in the ways described; but the capital would not be "consumed." There is the further doubt whether the savings of these provident people of moderate wealth make up the bulk of the savings of the country. The savings of rich men of business—savings made more from habit than definite purpose—must count for something. (*See p. 143.*) Large bequests to "friends remote," or "wandering heaven-directed to the poor," are becoming common; and they are derived from accumulations that do not seem to wane with the rate of interest.

The fascinating feature of this discussion is not so much the paradox that $1\frac{1}{2}$ per cent. is the turning point, but the suggestion that there may be an arithmetical connection between the average

length of human life and the rate of interest. "A substantial increase in the average length of life would in all probability be followed by a fall of the rate of interest" (152), every one saving more because it is worth his while to save with a large future in view. Contrariwise, it might be argued that if all were tolerably certain to live, say, till seventy-five, the effect might be to make men save less for their families, if more for themselves. They might save more for themselves if there is any soundness in the response of many working-men to the exhortation to save: "Why should I save for old age? I shall never reach it."

Dr. Cassel ends with an argument in agreement with this response. He thinks that higher wages would rather diminish than increase accumulation, "for if the labourer really is to raise his standard of life, he cannot save any considerable part of his wages"; and, on the other hand, the rise would have increased the motive for saving in other persons than the wage-earners. "When wages rise there is a tendency for interest to rise, too"; first of all, because now more capital will be wanted in order to carry on a business on the same scale as before; second, the consumption of the working classes is more largely of the products of factory industry than is the consumption of the richer class, with their footmen and secretaries and domestic servants; third, because the employers are stimulated to invent machinery, increase productiveness, and make labour more efficient (187, cf. 116).

There is so much good in the book that it will probably survive its faults, especially as they are not beyond amendment. Perhaps there are only two actual misuses of our language: "The rest of that manual labour is substituted by waiting" (90), where "replaced" or "displaced" is intended; "annuity of 8 per cent." (120), where "sinking fund" is meant. But there is too frequent a use of new terminology, or else of familiar words in new senses. The attempt to make us use "waiting" where we should most of us use "capital" again and again makes a sentence obscure till we translate for ourselves. The reader, in fact, would "economise his waiting" (102) if he would use "capital" instead of it. He would effect the same economy by "taking out an annuity," instead of "consuming his capital" (148—150). It may be remarked, in this connection, as a less important blemish, that Dr. Cassel takes us from simple to compound interest without notice (146).

A more grievous charge is that of superciliousness—superciliousness towards some writers without whom the book could hardly have been written. Professor Böhm-Bawerk is the chief victim;

it was he that had made too much of Time. Yet, in the end, our author's seed-field is time also; the long period of production is to be the typical period (135, *cf.* 87, 131). Dr. Cassel, in his historical introduction, has blamed the Austrian professor for confusing want of emphasis with absence of knowledge, in the writers he criticised (57); but this blame seems to fall on himself when he accuses his Austrian colleague of thinking only of time in connection with the function of capital (65). He himself is unable to avoid such phrases as "agio of present over future," even after he has found fault with them (62, 141, 142, 166). He reproves Mr. Macvane for introducing the very term "waiting," which plays such a prominent part on his own pages (41, 42). All controversial writers are tempted to slight the work of their immediate predecessors; but if we are to make any progress in economic theory, we must not almost but altogether abjure the maxim: "*Maledicti qui ante nos nostra dixerunt.*"

J. BONAR

Zur Lehre von der Überwälzung der Steuern mit besonderer Beziehung auf den Börsenverkehr. By Dr. LEO PETRITSCH. (Graz: Leuschner, 1903. Pp. 85.)

THE incidence of taxes on commercial transactions or the transfer of property has received a rather scanty study in this country. Most persons are willing to discuss the incidence of rates, or the effects of customs duties, while those who have given a thought to the incidence and effects of stamp duties, other than death duties, are few indeed. The reasons for this are many: the stamp duties are not a very prominent part of our fiscal system; they are not very heavy compared to other taxes (for instance, the stamp duty on conveyance of land is only $\frac{1}{2}$ per cent. of the value, while the income tax is 5 per cent., the tea duty about 100 per cent., and the tobacco duty over 300 per cent.); and, finally, to understand them requires a technical knowledge of the legal form of the various transactions which are taxed.

Dr. Petritsch has made a careful study of the incidence and effects of three of these taxes—the tax on the sale of real property; the tax on contracts for future delivery (*Warenterminhandel*); and that on transfers (*Effectenumsatzsteuer*). One general result of all such taxes is to prevent a certain number of commercial transactions from taking place which otherwise would have occurred. This result is, indeed, fairly obvious on a moment's reflection, but it is perpetually overlooked in discussions as to whether the buyer or seller pays the tax. Even Adam Smith rashly asserted that "Taxes upon the sale of land fall alto-

gether upon the seller." Dr. Petritsch has no difficulty in disposing of this proposition; at the same time we are met with the difficulty that whereas a tax on (say) the sale of tea will probably in large measure fall upon the consumer, a tax on the sale of land is in no way analogous, because the value of land is not regulated by cost of production.

The effect of a tax on contracts for future delivery is complicated by the fact of the relation which exists between "future" and "cash" prices; hence such a tax has an effect on all buyers and sellers dealing for cash as well as on those who are dealing in futures. Taxes on transfers hinder the flow of capital, and it may be argued that such taxes, to some extent, fall upon capitalists, though in other respects they resemble taxes on the sale of real property.

The great point about Dr. Petritsch's book is that he appreciates carefully all these complexities, and brings out very clearly the extent to which these taxes resemble each other, and the manner in which they are different. A minute criticism is impossible, because a critic needs to be well acquainted with the exact legal forms of the various taxes; but there is no doubt that this little book will add to the very high reputation which Dr. Petritsch has already acquired by his book on the balance of trade.

C. P. SANGER

Railways. By E. R. McDERMOTT. (London: Methuen and Co., 1904. Sm. 8vo. Pp. vii—196.)

THIS is one of a series of "Books on Business," but as there is neither an introduction to the series nor a preface to the individual work, it is not easy for a reviewer to appreciate the point of view from which business is intended to be approached. Mr. McDermott's book might, indeed, have had as a second title "An Essay in Apologetics," a branch of literature usually associated with theology rather than with mercantile pursuits. But his book may not be typical of the rest of the series. "Considering," writes Mr. McDermott, "the vast changes in social and business methods, and the varied developments of mechanical science, it is somewhat surprising that, during more than half a century now elapsed since the establishment of railway communication, so little alteration has taken place in railway methods generally." The gist of the book is that this surprise, natural though it be, is quite unwarranted. Two consecutive entries in the Table of Contents run as follows: "Very large locomotives

and merchandise wagons not suitable for British railways—The gradual introduction of high capacity mineral wagons : steady advance in recent years in the power of locomotives." And the text accordingly sets out at length (a) that English locomotives and trucks are, and always have been, quite large enough ; (b) that they are rapidly getting larger ; and (c) that at every stage of the process of development wisdom is justified of all her railway children. For instance : " there is obviously room for larger wagons in the mineral department, and this fact was equally known to British railway officials long before the recent agitation against British railway methods. For years past the London and North-Western Company have been trying to introduce larger wagons, and some 112 20-ton wagons [out of 76,000] have been working for three years past, while the number of this type is now increased to 143." It is evident that from so whole-hearted a *laudator temporis*, not only *acti*, but *præsentis*, the business man can hardly expect to learn what one would presume he really wants to know, namely, how English railways can be brought to give simultaneously better service and lower rates to the public, and higher dividends to the shareholders. As for these latter, though " the statistics compiled by the Board of Trade would seem to show that, in late years, the profit-earning capacity of British railways has passed its zenith, and that declining dividends would have to be faced," they can at least comfort themselves by learning from the author that no part of the decline is due to any lack of wisdom and foresight on the part of those to whom they have entrusted the management of their affairs.

Business men, even if they do not get much guidance as to practicable reforms, are at least entitled to expect accuracy in statements of fact. But here, too, the author is not above criticism. To quote a few instances from the first two chapters : The Irish gauge is not " 5ft. 2in." (p. 4) ; the Hungarian zone system does not give " a constantly diminishing rate per mile in proportion to the distance travelled " (p. 12), as, through all the ordinary distances, the zones are of equal length, and the fares rise in uniform arithmetic progression for each zone traversed. On p. 26, Mr. McDermott writes : " This form of toll and maximum rate clauses has been followed from 1845 to the present time with few amendments and variations." What he means by this statement it is difficult to understand. He is of course not ignorant of the elaborate legislation on the subject of maximum rates between 1888 and 1893, as indeed shown in the immediately ensuing pages. But if a business man were first to read the

sentence we have quoted, and then to be told—as is the indubitable fact—that the maximum rate clauses in, say, the London and North-Western Railway Act, 1846, have just as much resemblance to the corresponding provisions of the London and North-Western Railway (Rates and Charges) Provisional Order Confirmation Act, 1891, as, say, the Statute *Quia Emptores* or *De Donis Conditionalibus* has to Mr. Wyndham's Irish Land Act, 1903, possibly the business man would be justified in thinking that Mr. McDermott's statement might tend to mislead. On p. 31, the writer states that the Railway and Canal Commission, established by the Act of 1873, was made permanent in the year following the report of the House of Commons' Committee of 1882. The Act by which this was done has unaccountably escaped the notice of the King's printers, and has never got on to the Statute Book. The fact is that the Commission of 1873 never was made permanent; established originally for five years, it was continued, first for five years, and then from year to year, till it was finally allowed to expire, and replaced by a new and quite different Commission, established under the Railway and Canal Traffic Act of 1888.

In the concluding chapter of his book Mr. McDermott puts forward an argument for municipal enterprise, which is so novel and ingenious as to deserve citation. "Railway companies," he writes on p. 191, "should have the less compunction in supporting, or, at least, in not opposing, the municipalisation of tramways, for the reason that private interests concerned in this form of enterprise are far less scrupulous in the matter of competition . . . which is certainly present in an undiluted form when the field is occupied by private enterprise." That in Great Britain tramways are mainly in public, in America wholly in private hands, is an undeniable fact. It is an equally undeniable fact that the tramway competition which railway companies have to face in this country is child's play to that which they encounter across the Atlantic. But whether either railway shareholders, on the one hand, or municipal socialists, on the other, will be grateful to Mr. McDermott for assuming as too clear for argument that *post hoc* is *propter hoc*, is a separate question.

W. M. ACWORTH

British Railways: Their Organisation and Management. By HUGH MUNRO ROSS. (London: Arnold, 1904. Sm. 8vo. Pp. vii—245.)

"THIS little book," says the Preface, "aims at providing for the general non-technical reader an account of the railways of the

country which may enable him to understand something of the conditions in which they work, the difficulties they encounter, and the problems they have to solve. It is not to be regarded as a text-book . . . nor is it a statistical manual," nor yet, we may add, an economic treatise. It is, however, what it sets out to be, a lucid, well-arranged, well-balanced and accurate sketch of railways and their working in England, under present conditions. It is not written by an expert, or for experts, and so can hardly be compared with the book which is most like it in this country, the late Sir George Findlay's "Working and Management of an English Railway." Its accuracy is remarkable. "Steam-risers" in an engine shed is probably a printer's, not an author's, mistake for "raisers." Or, can it be that Mr. Ross heard the word in the London district, and wrote it phonetically? Further, scores of American railways besides the Pennsylvania (p. 71) have adopted automatic signals, and English railways are not entitled (p. 159) to charge two tons of coal as though they were four tons. They would charge as for two tons of traffic in the next higher (B.) class. But these are small matters, and we have found nothing more serious.

Incidentally, though it is not his special subject, Mr. Ross deals with the economic basis of railway rates, and with the bulk of what he writes we have no wish to disagree. Perhaps, however, when he speaks of the small profit, or even the actual loss, on the working of steamboats by different railway companies (p. 82) he hardly appreciates sufficiently that the steamboat receipts have no real objective existence. The Brighton Company, for instance, may show in its published accounts, "steamboat receipts £121,000, expenditure £147,000." But while the expenditure represents a fact, the great bulk of the receipts only represent an arbitrary assignment of a proportion of the gross through rates for the entire journey. And in making this assignment the railway company is hardly likely to be unmindful of the fact that, on the one hand, the lower the steamboat proportion the less chance of independent shipowners attempting to share it; on the other hand, the higher the railway proportion appears, the less likely is the company to hear inconvenient assertions about "monopolist companies favouring the foreigner." If these motives for allocation were removed, and the 2s. 6d. charged for 1cwt. of asparagus from Dieppe to London—the instance is purely imaginary—were allocated, not, as now, 1s. to the steamer, 1s. 6d. to the railway, but *vice versa*, the steamers would show a handsome profit, and the shareholders' dividend would not be one penny the worse.

On another point of much greater importance we think Mr. Ross's language is likely to lead his readers astray. "It is obvious," he writes (p. 186), "that the cost of working a hilly line, like the Lancashire and Carlisle section of the London and North-Western, must be abnormally expensive." To the present reviewer it is the contrary that is obvious, if we regard total working cost and not mere haulage. The cost of working, say, the lines round Bury St. Edmunds, must be much higher per ton-mile, or per passenger-mile. Heavy though the gradients are over Shap Fell, each train carries many more tons of goods and more passengers than are available to fill the train in rural Suffolk. That is, a train costs a trifle more for coal, say 1d. per mile, a trifle more for wear and tear both of train and road, say another 1d., but it earns probably twice as much. Further, there are five times as many trains over the Fell as on the plain. In other words, the cost other than haulage—three-fourths of the whole—is spread over ten times as much traffic. The operation of the law of increasing returns is much more potent than any counterbalancing advantages of favourable location. The Bury St. Edmunds branches can no more compete with the Lancaster and Carlisle than a small ironworks, however favourably situated for coal and water, could with a works on the scale of Essen or Homestead.

Mr. Ross deals at some length, and with great impartiality, with the controversy as to what may be called "American methods." But on the matter of ton-mile statistics in particular he seems almost persuaded to declare for the maintenance of the *status quo*. He gives plausible reasons for non-adoption; he does not, however, answer the crucial question, which perhaps might be stated thus—"Ton-mile statistics are practically universal, not only in the United States, but all over the civilised world, England excepted. Even in countries whose railways are managed by Englishmen, like Argentina and India, they have been introduced. The officials of the one English railway which has adopted them—the North-Eastern—are unanimous and enthusiastic as to their usefulness. What is the differentia, which on other English railways tends to make them useless?"

But we must not part with Mr. Ross in a critical spirit. On the contrary, we desire to end as we began, by expressing cordial appreciation of an excellent piece of work which can be commended as a symmetrical, logical, and accurate sketch of the subject with which it deals.

W. M. ACWORTH

The Canal System of England. Its Growth and Present Condition, with particular reference to the Cheap Carriage of Goods. By H. GORDON THOMPSON. Published for the Cobden Club by request. (London: Fisher Unwin, 1903. Sm. 8vo. Pp. 70.)

THERE appear to be at the present time some signs of a revival of interest in English canals. Suggestions are put forward that the existing canals shall be modernised and improved, and even extended. They ought, it is said, to be taken over and maintained by public authorities, a course that has, indeed, actually been adopted in Gloucestershire. We are invited to study and follow the example of France and Germany, where large sums of public money have been devoted to inland navigation, and where, so it is asserted, waterways have proved a valuable auxiliary, or even a useful counterpoise to, and competitor with, railways. Under these circumstances, a brief notice of Mr. Thompson's short essay will, perhaps, not be out of place in the *ECONOMIC JOURNAL*.

Of the essay itself not much need be said. "The material from which it has been drawn has necessarily been exceedingly various." Much of it, one may add, is exceedingly valueless, though that is not Mr. Thompson's fault, but his misfortune. The lamentable inefficiency of our existing canals—with one or two conspicuous exceptions—is an oft-told tale. Of varying width and depth, usually with funds insufficient for adequate maintenance, with no administrative unity, and with scant accommodation for loading, unloading, or warehousing, it is impossible to suppose that in their present condition they can compete with, or even appreciably supplement, the railway service. The really important question is: Could they, if brought up to a practicable standard of physical and administrative efficiency, render any economic service to the community, and, if so, to what extent? Can inland waterways, such as English geographical conditions allow, economically supplement or replace the services now rendered by the railways? Mr. Thompson assumes that the answer to this question must be in the affirmative, and on this assumption advocates a forward canal policy. But what if the answer be in the negative, as not only the facts of history, but the best economic opinion in other countries, indicate that it should be?

In America water-carriage and railways have been left free to compete. The results are undisputed. The Erie Canal, occupying one of the great trade routes of the world, much superior in physical equipment to our English canals, open to carriers free

of any charge either for maintenance or interest on construction capital, has been practically wiped out by the competition of the trunk-line railroads. The navigation facilities of the Ohio and Mississippi Rivers, improved at enormous expense by the United States Government, are so excellent that, from Pittsburg to the sea at New Orleans, one steam-tug can control a fleet of barges carrying some 30,000 tons of coal. *Can* control, but does not, for the river traffic is a thing of the past, and the coal goes nowadays by railway. But, it will be said, in France and Germany water-borne traffic is increasing and gaining ground on the railways. True, but irrelevant. For, in the first place, the increase is mainly on waterways that have not, and cannot have, any analogues in England; on the Seine, the Rhine, and the Elbe, rivers that can take vessels of 1,000 tons, not on barge canals. In the competition for coal-traffic from the Pas-de-Calais to Paris, the Chemin de Fer du Nord more than holds its own with the canal. Further, both in France and Germany, the State throws the weight of its sword into the scale against the railways. On the canals public taxation pays interest on capital and maintenance charges; the traffic pays only the actual cost of movement. Railway traffic pays rates which have to cover, not only movement expenses, but maintenance and interest (which represent roughly three-fourths of the total) as well. And even then the State does not allow the railways, handicapped as they are, a free hand to make such rates for competitive traffic as it would pay them to make, rather than lose the traffic. Under these circumstances, to argue from French or German experience in favour of the intrinsic economic advantages of water-carriage is impossible. Rather the contrary, for, if, with all these intrinsic advantages, water-carriage only a little more than holds its own, is it not self-evident that, without them, it would be beaten out of the field?

To enumerate the abstract reasons why canal carriage is economically inferior to railway carriage, even for low-class bulk freight, would occupy too much space. The arguments can be found in the works of well-known writers like Gustav Cohn and Uhlich in Germany, and Picard and Colson in France, none of which, however, Mr. Thompson seems to have consulted. Briefly, they are these. A canal, for a given volume of traffic, is not—having regard to the fact that between two given points it, from physical necessity, takes a circuitous course—cheaper to construct than a railway; and if, when constructed, the volume of traffic overtakes the capacities of the accommodation, a canal cannot be

gradually improved and extended either so conveniently or so cheaply as a railway. It is cheaper to maintain, but, from drought in summer, ice in winter, and need from time to time for repairs under water, is often out of use entirely. A barge is, as Mr. Thompson says, a much less costly thing than an engine and a train of trucks. But, though it costs only one-tenth, it does only one-tenth of the work in a year, which Mr. Thompson omits to notice. Haulage cost in the two cases is probably not dissimilar, though—a fact which is of importance in a hilly country like England—canal efficiency decreases rapidly where changes of level are frequent and considerable. A railway can go where a canal cannot follow. A modern ironworks has railway trucks right through the yards and inside the sheds; a waterway in a similar position is impossible, so everything would have to be hauled on land to and from the barges. Finally, a railway can do everything that the canal can, and being able not only to carry, but to make a profit from passengers, parcels, mixed goods, &c., can afford to transport at a minimum profit the coal, bricks, &c., which must, in the case of the canal, unaided bear the whole cost of working, maintenance, and interest on capital.

A book which deals with the economics of inland water-carriage is so far lacking in English economic literature. It is to be hoped that London or Birmingham, or some other of the modern schools of applied economics, will some day supply the want.

W. M. ACWORTH

La Coopération. By P. HUBERT-VALLEROUX. (Paris: Victor Lecoffre, 1904.)

THIS small work of 225 pages gives a concise account of Cooperation in the chief countries of Europe; especially in France and England. The writer points out that though the word "cooperation" has been borrowed from England since 1863 to express this form of industrial association, yet that, before that date, in fact as early as 1834, the principle of workmen's associations had been established in France. There, as elsewhere, the idea emanated not from the working-classes themselves, but from some thinkers of the middle and upper classes. He assigns to M. J. P. Buchez the credit of having first given the idea a practical shape. His aim was to form groups of workers employing themselves by means of a small

capital either saved by themselves or lent by friendly sympathisers. One such association, that of working jewellers, was formed in 1834, but up to 1848 it found no imitators. Then, in the wake of the political movement, questions of social and industrial reform came to the front, and hundreds of working-class associations on the model of the jewellers sprang into being. Unfortunately a large number of them immediately turned to the State for the supply of the necessary capital, and with the inevitable result that what was easily got was speedily squandered. The Empire at first frowned on all such associations as nurseries of republican ideas, and it was not till 1864 that any further move was made. Then it was that M. Casimir Périer, father of the ex-President, called attention to the growth of the cooperative movement in England, and its essentially self-supporting nature. But, while availing itself of the experience gained in England, the French movement proceeded on its original lines. It still aimed at establishing societies of workers engaged in the same trade rather than those of consumers working in different trades. The production of some manufacture in common rather than the purchase of commodities in common was still the mainspring of cooperation, and in this respect the cooperative movement in France has in the main continued to follow a different development to that of Great Britain. For some years after the fresh start in 1864 the same mistake as that made in 1848 was repeated. Capital, though not advanced by the State, was borrowed on easy terms from a bank founded to help the movement, but the result was the same. Large sums of money were expended with little or no results. By painful experience the French cooperator has had to learn the lesson of the value of self-help as against either State-help or philanthropic subsidies. M. Valleroux points out (pp. 165—170) how great moral as well as economic benefits have been secured by the self-reliant spirit encouraged in the British working-class movement.

A. K. CONNELL

Women in the Printing Trades: a Sociological Study. Edited by J. RAMSAY MACDONALD, with a Preface by Professor F. Y. EDGEWORTH. (London: P. S. King and Son, 1904.) Investigators: Mrs. J. L. Hammond, Mrs. H. Oakeshott, Miss A. Black, Miss A. Harrison, Miss Irwin, and others.

THIS book is a painstaking account of the subject with which it deals; the description of trade processes is clear, and the collec-

tion of wages statistics most interesting. But the trail of a vehement Trades' Unionist bias is clearly discernible throughout the whole book, and must be allowed for. The employment of women in branches of the trade formerly in the hands of men exclusively is referred to as an encroachment, and the regular Trades' Union tone is invariably adopted in reference to it. For instance, an effort to introduce female labour into some of the newspaper printing offices in Scotland is thus described: "Thus the practice threatened to spread throughout the other commercial printing offices, and the men's Union thought it was time to bestir itself. It decided that the women must either be paid at the same rates as the men or got rid of altogether" (pp. 45-6). This is the whole theory and practice of Trades' Unionism, and explains in a sentence its influence in throwing out or keeping out of work all workers, male and female, whose industrial efficiency is not equal to creating the value needed to reproduce the Trades' Union rate of wages. For various reasons, partly natural, partly artificial, the industrial efficiency of the average woman worker is not equal to the industrial efficiency of the average man worker in the same trade; to insist upon an identical rate of wages, where the "net advantageousness" of women's work is less than that of men, is simply to shut women out of the employment altogether. An example of this is given in a note on p. 47, where it is stated in reference to a Scottish firm executing Government work, "As the Government insists on the men's Union price being paid, the work is being done by men, although in the ordinary way it would have been done by women." A further example to the same effect has been brought before the notice of newspaper readers in another trade during the present session of Parliament. A member gave notice of a motion that all Army clothing should be made at rates fixed by the Tailors' Trade Union. The women in the Army Clothing Factory at Pimlico instantly saw that such a motion, if carried, would be most injurious, if not fatal, to their interests, and induced the member to modify his resolution.

Those who desire to promote the efficiency and increase the wages of female labour have to contend against the constant and vigilant opposition of Trades' Unions to the employment and the technical training of women in the better paid and more skilled branches of trade. Instances of this are not infrequent in the book before us. One of the most skilled and best paid departments of bookbinding is the laying on of gold. It is done by women; "much dexterity is needed, the gold leaf being apt to break or blow away at the slightest breath. One investigator

describes as ' seeming almost marvellous ' the skill with which this difficult material is laid in exactly the right place by means of a knife " (p. 6). A gold layer-on gets good wages accordingly ; good, that is, measured by the woman's standard of goodness, reaching in some weeks as much as 24s., and being oftener over 16s. than under it. (See table on p. 190.) There was a determined effort only last year on the part of the London Society of Journeymen Bookbinders to get this comparatively well-paid work taken away from women (pp. 44-5*n*) ; happily, up to the present this effort has been unsuccessful, but it is quite uncertain how long it will remain so.

Then again, there is the question of the working of the linotype and monotype machines. There is no reason outside the rules of Trades Unions why these machines should not be as commonly used by women as typewriting machines now are. It is absolutely inaccurate to imply, as this book appears to do (p. 63), that the work needs more skill than women possess. London printing houses dare not employ women at the linotype or monotype machine unless they are prepared to risk a long and costly fight with the men's Trade Societies. The Society for the Employment of Women repudiate as altogether inaccurate the reference in this book to their efforts to teach the working of the linotype to women. There is no difficulty about it except the opposition of the Unions. In the same way the men's Trade Unions oppose the opening of technical classes to women. It is an old quarrel of mine with the Technical Committee of the L.C.C., that their technical classes, which are paid for by the public, are not open to the public. They contend that women are not excluded from their classes on book-binding, for example, as women, but because they are not members of the trade, and that any attempt to admit persons not already members of the trade would be instantly detected and objected to by the Trades Unions. Dr. Garnett, the Secretary of the Technical Education Committee of the London County Council, states that the Parliamentary power of the Trades' Unions was exerted, while the Technical Instruction Acts were before the House, to prevent the classes having the effect of increasing the supply of skilled labour. Dr. Garnett wrote to me : " It is well known that these Acts would never have passed the House of Commons if some assurance had not been given to the Labour Party that no provision would be made in the technical schools for teaching trades in such a manner as to interfere with the supply of skilled labour." " Interfering " with the supply of skilled labour must here be interpreted to mean " tending to increase it." For the

Technical Instruction Act, as interpreted by the London County Council, provides, in Dr. Garnett's own words, "a strict prohibition against creating new avenues for the introduction of skilled labour into these trades." But, with these facts and others like them staring them in the face, the compilers of the book before us seem to have great difficulty in discovering why so few women have the ambition to become skilled in their handicrafts.

The authors make out a very strong case for legislative restrictions upon "overtime." Overtime, even if well paid, is uneconomical in consequence of the severe tax it places upon physical strength. Legislative restrictions upon overtime, in the majority of cases, do not involve a restriction on the amount of employment, but simply necessitate a better distribution of it over a longer period of the month or year. Men, as well as the women and children directly involved in the legislation, have no doubt frequently benefited by this section of factory legislation, just as women have from time to time benefited by concessions, as to hours and conditions of employment, gained by the men after, or in consequence of, a strike organised by the men's Unions. It is an example of the unnecessarily hostile tone about women and their work which characterises this book that the latter fact is thus referred to: "It must not be forgotten that where men and women work together all concessions won by the men's Unions are shared by women, as, for instance, when the Typographical Association of Scotland secured a fifty-hours week for Aberdeen compositors. *This is an interesting example of feminine methods*" (p. 41). The italics are ours; the sentence contains a wholly unworthy insinuation.

It is satisfactory to notice that the authors recognise the industrial disadvantage under which women labour through their exclusion from the Parliamentary suffrage (p. 64); and also that they do not support the Trades' Union opposition to the employment of married women. A great deal of evidence is brought forward to show that the labour of married women has no tendency to depress wages. Married women generally have more than themselves to keep, and cannot afford to accept the wages which would suffice for the unmarried girl of sixteen or eighteen. The way in which the industrial interests of women are overlooked in the practical settlement of trade affairs is well illustrated on pp. 7-9, where is to be found an elaborate agreement drawn up between the Book-binding Trade Section of the London Chamber of Commerce and the secretaries of the men's Unions as to the limitations and divi-

sions between men's work and women's. "The women workers were neither represented nor consulted" (p. 7).

While pursuing inquiries incidental to writing this review, I asked the opinion of the heads of two firms of printers where women have been employed for a great number of years. One writes in reference to the book: "On p. 47 the inferiority of women compositors is distinctly stated. Now, I think we must give in that the best women are not equal to the *best* men, but that is all; the quality of their work can be as good, and their time is about the same, except when compared with the best male workers. Again, women do not leave the trade as young as stated. . . . Women also are not so irregular in the matter of staying away as is made out."

On p. 62 there is a slight error as to the payment of apprentices by the Women's Printing Society; they pay not 2s. 6d. rising to 10s., but 3s. rising to 12s.

The other employer whose printing office I visited was very emphatic about the perfect ease with which women learned to use the linotype and monotype machines, and also that there was no reason why they should not be employed as readers or correctors. He spoke of one of the anomalies of factory legislation which had been brought prominently under his own notice, and certainly operated in diminishing the "net advantageousness" of women's labour. Several of his workwomen live out of London, and come in daily by the workmen's trains, for which weekly tickets are issued at reduced fares. The latest workmen's train lands the women in London a good half-hour before the Factory Act permits them to begin work. He allows them to come in and wait in his printing office; but they have to sit there with their hands before them until the clock strikes the hour at which Parliament has decided that it is good for women to begin to work.

Reference has already been made to the interesting tables of actual wages which form one of the most important parts of the book. They are on the whole cheering, the standard of wages being higher than I, for my part, had expected to find it. Thus, in an estimate of wages in a typical week of 1899, of 1,001 workers in all branches, it was found that only 22 per cent. had wages of 10s. a week and under, while 78 per cent. had 10s. to 12s. a week and over, ranging to more than 24s. (pp. 132-3).

MILLCENT FAWCETT

The Geography of Commerce. By SPENCER TROTTER, M.D.
(New York and London : Macmillan. 1903. Pp. xxiv.,
410. Price 5s. net.)

THE recent territorial and trade expansions of the United States have given its citizens a new interest in the world at large and in its commercial possibilities. The increasing number of commercial high schools and colleges has also created a special demand for books on commercial geography, and this is one of the works produced to meet it. It is more suggestive than systematic, more descriptive than scientific, and both the economic and geographic treatment leave something to be desired. The author is not quite clear about such a fundamental matter as the relationship of economic and commercial problems, for he divides commercial geography into "economic geography—the production and distribution of raw commodities; and industrial geography." Economic geography is not simply this, it is not even comprised in a description of the commodities of commerce and of trade routes, but it is a study of the laws of the distribution on the earth's surface of economic phenomena—power, labour, capital, as well as commodities. Until teachers and text-book writers discover this, the scientific, practical, and educational values of the subject will be underrated.

The present work adds little to this systematisation of economico-geographic thought. It will be read for its interesting account of the present distribution of commodities and industries in the United States, which occupies nearly 120 pages. In dealing with the other parts of the world it is naturally less complete and less well-informed. The United Kingdom is dismissed in eleven pages, which contain some serious omissions (*e.g.*, Cleveland iron), a number of misconceptions (*e.g.*, that Manchester has many cotton *factories*), and the usual confusion in the use of the geographical terms, England, Great Britain, and Britain. The book is illustrated with many views, diagrams, and maps, a number of the latter standing in need of a thorough revision.

A. J. HERBERTSON

Canada in the Twentieth Century. By A. G. BRADLEY. Illustrated. (London : Constable. 1903.)

THIS is an excellent book. It is a leisurely, well-written account of the general appearance, the physical character, the agriculture, the sports, the social life, and much else of the whole

of Canada—with the omission only of the Maritime Provinces—by one who has a long and intimate acquaintance with the country he describes. To the economist who wishes to clothe the figures in the “Statistical Year Book of Canada” with some human meaning, and has hitherto known nothing he could refer to, save the Montreal (1884) and Toronto (1897) Handbooks for the British Association, and Mr. Parkin’s “meagre but crisp” little volume, now almost ten years old, nothing could be more welcome. And the more it is perused by the general reading public in England, the better it will be for Canada and the Mother Country alike, in half a dozen ways. It will be better for the political relations between the daughter and the mother State; and I say this although Mr. Bradley’s views on the policy of Preference are not such as I can altogether share. For the root difficulty in our present relations is that we English people simply do not know enough about Canadian conditions. This is one of the few books which, if one takes the trouble to read it in the same deliberate way as it was written, will give one a realising sense of the magnitude, the capabilities, the present society, of the undeveloped estates of the nominal British Empire.

Mr. Bradley and Mr. Rudyard Kipling are miles apart in their habits of thought; yet much of Mr. Bradley’s book reads like a wise and much experienced man’s comment on a line in the “Song of the Banjo”—“the bitter road the Younger Son must tread.” The problem which he evidently has most at heart, and to which he returns again and again, is that of the younger son, the public school boy, sent out to the Colonies to sink or swim. He uses language none too strong for the incredible ignorance and carelessness which parents display. Would that his sensible counsel could reach the right ears; but I fear that the class he has in mind are not very much in the habit of buying expensive books. I can only suggest that it is the evident duty of every headmaster of a public school to put a copy into the school library. But even then it is not very likely to be read.

It would be foolish to attempt a detailed criticism of Mr. Bradley’s work. Perhaps there is no one who could do it with adequate knowledge besides Mr. Parkin. It is not equally strong all round; for instance, there is more in it about sport than about industry, and there is practically nothing in it about trade. Its point of view is that of the cultivated English country gentleman; and I must confess, if I were a Canadian, I should find the dissertations on “Society” just a little tiring. There are things more interesting to the philosophical observer even than that, as

Mr. Bradley repeatedly recognises; but unfortunately several of these things do not, apparently, interest Mr. Bradley. But these, to use a well-worn tag, are the defects of his qualities; and the qualities are so genuine, so spontaneous, so entertaining and instructive, that it would be absurd to grumble. Yet I must fall foul of one chance phrase. It is where Mr. Bradley is speaking of the University of Toronto, and he remarks that, owing to its inexpensiveness, "a considerable proportion of young men come up to it in a somewhat unripe condition." Doubtless. But before I set about teaching them, I had taught the average public school boy who comes to Oxford, and I have since taught in the most famous of American Universities. Comparisons are odious; but Toronto has nothing to fear from them.

W. J. ASHLEY

Three Letters on the Price of Gold, by DAVID RICARDO (1809); *The Application of Capital to Land*, by SIR EDWARD WEST (1815); *The Nature and Progress of Rent*, by T. R. MALTHUS (1815); (in *A Reprint of Economic Tracts*, edited by Professor J. H. HOLLANDER; the Johns Hopkins Press, Baltimore, 1903.)

THE materials are now being rapidly put into our hands which will enable the scholar who has the necessary judgment, power of co-ordination, and command of style, to write a real history of modern political economy. It is not without its significance that the work of preparing the necessary materials is being carried on more energetically in other countries than in England. It is from Berne and Professor Oncken that we have received an edition of Quesnay and the biographical and bibliographical history of the Physiocrats; and some years have passed since Professor Brentano of Munich made the pamphlets of Anderson, Malthus, and Ricardo accessible in translation to German students. But it is America that is doing most in this direction. Harvard University has given us a reprint of Cantillon (1892); the needs of its classes have led to reprints of Mun and of parts of the writings of Malthus and Richard Jones (1895); Professor Hull and Cornell University have provided us with a collection of the works of Petty (1899); and now comes from Baltimore the welcome series of reprints edited by Professor Hollander. It is not that the history of economic thought has had no attraction for English scholars: the valuable treatise of Mr. Edwin Cannan and Professor Foxwell's contribution to the early history of Socialism in his introduction

to Professor Menger's book are striking examples to the contrary. But, so far as I am aware, the only recent reprints in England of scarce and important texts have been the Royal Economic Society's facsimile of the *Tableau Économique* (1894), and Mr. Shaw's volume of early monetary tracts (1896). The explanation is very obvious. The number of teachers and students of political economy is incomparably greater in Germany or the United States than in England. Probably in this very year there are a dozen universities in those countries where classes of students are following systematic courses of instruction on the history of economic thought. I should doubt whether there is more than one such class in England. Of course it is conceivable that we are being better employed: it may be that we are developing economic science further, instead of curiously examining into its past.

Professor Hollander is making himself the bibliographer-in-chief of what one may call the Ricardo circle in the same painstaking and minutely accurate way as Professor Oncken has dealt with the Quesnay circle. It is remarkable how much the mere straightening-out of the sequence, and the production of the exact text of the several publications contribute to the understanding of their significance. In more than one case we have to penetrate to the great man as he really was behind the second-rate man who put forth his writings to the world. Thus M. Schelle has shown us how unsafe it is to trust to Du Pont's edition of Turgot. And now Dr. Hollander warns us against McCulloch, whose *Literature of Political Economy* has so long held the field and run up to extravagant prices, simply because there was nothing else that covered the ground. The dislike of that worthy man by Peacock and Carlyle was natural enough; we might still believe in what Professor Marshall has called "his vast historical learning." But nobody seems able to come to close quarters with McCulloch's work on the history of economic doctrine without getting out of temper with him. Dr. Bonar long ago characterised his account of Malthus as "simply grotesque," and now Professor Hollander dismisses him (*Introduction to Ricardo, Three Letters*, p. 4) as "neither an accurate nor a scrupulous editor." The fact is that the trail of the journalist is over it all. And this characteristic is by no means limited to McCulloch among economists.

This is not the place to enter into the substance of the three pamphlets now reprinted, but only to express our obligation to Dr. Hollander for the considerable service he has rendered to students of economics by putting these writings into their hands. This is true especially of the pamphlets of Malthus and West,

which, in the words of Ricardo, "presented to the world, nearly at the same time, the true doctrine of Rent." I cannot help thinking that it will be wholesome for some of us to go back to the time when political economy had not yet settled down into a symmetrical orthodox shape, and when it was still in the formative period. It will remind us that men of honesty and intelligence could agree on the "true doctrine," i.e., on the analysis of economic forces, and yet differ as to their conclusions of practical policy. Professor Oncken has called attention (*Was sagt die Nationalökonomie. . . über die Bedeutung hoher. . . Getreidepreise?* p. 50), to the fact that Anderson, "whose doctrine of Rent has since received the name of Ricardo, drew from it practically the very opposite consequences for commercial policy." And a similar lesson is taught by a perusal of these papers of West and Malthus.

W. J. ASHLEY

NOTES AND MEMORANDA

THE BUDGET OF 1904.

THE particular political circumstances have had a disturbing effect on the discussion of the Budget proposals and the financial situation that they indicate. Between those who (like the old lady with the preacher) exclaim, "Thank God it's free trade!" and those who perceive some hidden purpose in the commissions and omissions of the Budget plan, it is not easy to go at once to the facts of the case, which are, after all, fairly obvious.

The first point to notice is the appearance of a real deficit, due, beyond doubt, to two causes, viz., (1) the growth of expenditure, accelerated by the laxity of control during and since the war; (2) the falling off in the yield of certain duties in consequence of the trade depression which, as is usual, follows the close of a war in which large borrowing has taken place. The complications in the accounts make it very difficult for the outsider to say what is the exact amount of the deficit, for though the old Sinking Fund is below zero, the new Sinking Fund has been redeeming debt and the terminable annuities have a year less to run; but then there are the short loans for buildings, &c., alleged to be for the capital account, and exceeding £7,000,000 in the past financial year. The Chancellor of the Exchequer who will remove these obscuring elements will render a real service to the State. It ought to be clear that borrowing in order to build barracks, ships, or public offices is as little justifiable as borrowing for the refitting of a Royal palace, or for the issue of a new rifle which will, it is believed, last for some years. Where no actual revenue is obtained, borrowing can only be defended on the ground that the burden would be too heavy to be borne at once. Where outlay is arranged for a series of years, the charge should be annexed to the Consolidated Fund services, and should appear as expenditure. The only hope of getting more economical administration lies in bringing before the public mind the whole of our actual outlay in a definite and systematic manner.

Secondly, it appears to be well established that the Budget scheme does *not* provide for the deficit incurred. The proceeds of borrowing returned by "The Transvaal," and an appropriation from unclaimed dividends, are simply drawings on capital, while the balance is in part passed on to the (hypothetical) surplus of 1904-5 so far as it will go, and for the rest is left to take care of itself. The truth, indeed, is, that a deficit under the English arrangement is necessarily an addition to, as a surplus is a diminution of, the debt. In other words, the old Sinking Fund becomes for the time a negative quantity.

Coming to the arrangements of the current year, we find that expenditure—supplementary estimates apart—is expected to exceed the estimated revenue taken at the existing rates by £3,820,000, to which £1,500,000 of the deficit quite unprovided for must be added. To meet this gap, the increase of a penny in the Income Tax is so far a correct step. The really weak point in Mr. Ritchie's Budget was the undue lowering of the rate of Income Tax. Had he been content with a reduction of twopence or threepence, there would have been little need for any new taxation this year. An increase to 13d. would have been probably the wisest proceeding on the part of the present Chancellor. Instead of this he has selected tea, an article which is certainly productive, but one where the equal specific duty presses hardly on the consumers of the poorer qualities. It is noteworthy that 8d. per lb. is almost, or quite, as high an *ad valorem* tax on very cheap tea as that which existed before Pitt's great reform in 1784 (119 per cent.). Another objection is its undue pressure on Ireland as compared with the other parts of the United Kingdom. It is hardly possible that this increased duty can be maintained in the future. The increases in the income tax and tea duty will yield enough to cover the estimated deficit of the year. There does not, therefore, seem to be any pressing financial need for the proposed readjustments of the tobacco duties with their moderate return, estimated at £550,000. It may be conjectured that a new finance Minister is desirous of doing something, and there is, it must be said, an inviting field in the minutiae of the taxes on tobacco. Gladstone's reform in 1863—which, it should be said, was managed quite apart from and before the Budget of that year, placed the trade on a new basis by laying it open to foreign competition. Thirty years ago, Leslie pointed out the discriminative character of the duties, which were afterwards somewhat modified by Northcote and Sir M. Hicks-Beach. So far as the suggested changes adjust the drawbacks which

are alleged to operate unfairly against British exporters, they are hardly open to objection. The differentiation between stripped and unstripped tobacco is also defensible if the duty is so calculated as to be proportional to the net amount of tobacco in each form,¹ but then there is no place for the existing drawback allowed under this head. The adjustment of the cigar and cigarette duties is of a more doubtful character, as it increases that discrimination to which Leslie justly objected. But the matter is one of very secondary importance, though it will probably be debated at length to the neglect of more serious matters.

Regarded as a whole, the Budget is singularly devoid of any really fruitful financial devices, and fails to meet the unsatisfactory condition of the finances of the State. With the chief questions awaiting solution—the readjustment of the relations between Imperial and local taxation; the difficulties and anomalies of the income tax when levied at a high rate; the resettlement of the system of debt redemption on an effective basis—there is no attempt to deal, if we except the appointment of a Committee to examine some minor defects of the Income Tax, which was promised last year by Mr. Ritchie, with a wider area of inquiry.

It is something, however, that there has been no departure from the tried and established principles of British finance. Whether through discretion or knowledge of principles, the suggestions for taxation of petroleum or a revival of the corn duty of 1902 have been allowed to take their place along with the other fantastic proposals that amateurs in finance are so prolific in devising and trained administrators so decided in rejecting. In fine, it is true that the Budget of 1904 indicates a pause. The State machine is kept going; the problems of expenditure and of the best means of supplying it are left in abeyance.

C. F. BASTABLE

ARBITRATION IN LABOUR DISPUTES.²

WE print below the important award which has been given by Sheriff Jameson, acting as arbiter in the dispute between the oil companies of Scotland and Shale Miners' Association.

"I find it proved—

"(1) That during the last fifteen years—1889 to 1903, both

¹ It is of the same kind as the different duties on wheat and flour under the duty of 1902.

² See *Glasgow Herald* for Monday, Jan. 18, 1904.

inclusive—the wages of shale miners, while not always coinciding with those of coal miners in the central districts of Scotland have (with some exceptions, due to special causes) practically followed the wages of coal miners, both as to advances and as to reductions.

“(2) That, having regard to the large number of coal miners in the said central districts—amounting to about 70,000 men, as compared with about 3,000 shale miners—the rate of wages of coal miners forms a sound basis for arriving at the general value from time to time of mining labour in the counties where the shale area is situated.

“(3) That because the prices of coal and the prices of the products of shale do not constantly bear the same relations to each other, or to the wages of the miners employed in the two industries of coal raising and oil producing respectively, it is right that, in considering whether an advance or a reduction should at any given time be made in shale miners' wages, regard should be had to the condition and prospects of the oil industry at the time, especially to the prices of the various shale products.

“(4) That shale miners' wages are at present 6*d.* per day above coal miners' wages, but as the prices of shale products have risen to some extent during the present year, and seem still to have an upward tendency, there ought to be no reduction in the wages of shale miners, notwithstanding the serious and continued depression in the coal trade.

“(5) That having regard to the relation or proportion that wages and prices have hitherto borne to each other in the shale industry, and which relation or proportion has apparently been much more favourable to the miners than to the companies, judging from the number of the latter which have collapsed, the present prices of shale products have not reached such a point as to entitle the miners to an advance of wages at the present time.

“(6) That it is wholly impracticable that wages in the shale industry as at present carried on should be fixed on the footing of wages rising and falling with the amount of profits of the oil business.

“(7) That the claim for an advance of 1*s.* per day now put forward on behalf of the miners is founded solely on the supposed profits of four oil companies and upon a really inaccurate estimate of these profits.

“Therefore I refuse the claim of the oil companies for a reduc-

tion of 6*d.* per day on shale miners' wages; I refuse the claim of the shale miners for an advance of 1*s.* per day on their present wages; and I decide and determine that, having regard to the present value of mining labour in Scotland and the present condition and prospects of the shale industry, and the present prices of the manufactured products of shale, 6*s.* per day is a fair wage to shale miners at the present time; and I direct and declare that the said rate of wages of 6*s.* per day shall remain in force until September 30th, 1904. I decide that each party shall pay their own expenses, and that each party shall pay one-half of the expenses of the reference."

We regret that we have not room to print more than extracts from the important Note in which the arbitrator justifies his award.

Referring to the admitted fact that in the past the wages of shale miners have followed closely those of coal miners both as to rises and falls, the arbitrator asks, "Is it right that this should be so?" and thus answers this question: "I think it is, because the facts are in favour of it. The shale miners constitute but a very small proportion of the mining population of Scotland, as is made apparent by the quotations above made, but, taking the miners in the immediate neighbourhood of the shale fields, the numbers may be stated roughly at 70,000. Then the shale field is in close proximity to the coalfields of West Lothian, Stirlingshire, Lanarkshire, Mid-Lothian, East Lothian, and Fife, as is very well shown by the map No. 6 of process, and giving all due weight to the fact that the older and better class of shale miners and coal miners do not frequently shift, and, indeed, object to shifting, from one pit to another, yet it is absolutely certain that there must be a floating mining population, any of whom will start on a week's notice for a pit where they will get substantially higher wages, and even with regard to the more permanent mining population it is certain that if much higher wages were given in the coal pits than in the shale pits they would go there; while if the shale miners were getting very high wages and the coal miners low wages the coal miners would soon come and glut the labour market in the shale-producing area. It is said that nothing of this kind has happened hitherto, but that is for the very obvious reason that, as shown by the table and chart already referred to, there has never been for any long period a great difference of wages between the shale miners and the coal miners.

"In view of these circumstances it is quite clear that the oil companies could not afford, when coal miners' wages are

high, to pay much smaller wages to their own miners, for that would inevitably lead to their mines being depleted to a greater or less extent of workers. On the other hand, if coal miners' wages are very low as compared with shale miners' wages, it is difficult to see how shale miners could long resist a partial reduction if proposed by the companies, in view of the cheapness of mining labour generally and the application of the ordinary laws of supply and demand. Further, shale mining being a comparatively simple industry, and the part occupied by the miners in the production of oil, paraffin, and the like being always a doubtful quantity as far as value is concerned, it appears to me likely to be a much more satisfactory method of arriving at what is a fair return for mining labour to take the wages paid for precisely similar labour in a much larger industry, and one in which mining contributes practically the whole of the labour, and where, beyond the engineering skill and management in sinking and working the pits, there are no such demands for intellectual labour as in the recondite chemical and manufacturing processes which are so essential to the success of the oil companies' businesses.

"I am therefore of opinion that as a general rule it is both equitable and practically necessary that the wages of shale miners should be to a greater or less extent controlled by those of coal miners."

The arbitrator admits that the prices of shale products should exercise an influence on the wages of the shale miners.

"Although, as already observed, the shale miner contributes only a portion of the labour and skill necessary to the manufacture of oil and other shale products, yet within certain limits I think it is only just and proper that he should obtain a rise of wages when the prices of the products of shale are high, just as within certain limits he is compelled to submit to some reduction of wages when they are very low. The latter event necessarily occurs in this way. If the prices of shale products are very low the oil companies might be tempted to shut up their pits and works altogether, although it would probably inflict considerable damage not only on their pits but on their whole works and plant were they to be allowed to stand idle for any considerable time; while, on the other hand, it would be a still graver misfortune for the miners to be deprived of their occupation and forced to seek for work elsewhere. In these circumstances I should think it not infrequently happens that to avoid greater evils both the oil companies and the miners may come to some understanding, on the one hand, that the companies should keep their works going

at a certain loss, and on the other hand that the miners should content themselves meanwhile with a mere living wage.

"This state of matters being possible and probable, it is, I think, only just that when prices rise to such a point as that the oil companies' business can be said to be really prosperous and to have the prospect of remaining so, the miners also should obtain a corresponding benefit, and that, in short, within certain limits, employers and employed should share in prosperity, just as, within certain limits, they may be compelled by circumstances to be sharers in adversity. While, therefore, at present coal miners' wages are 6*d.* below those of shale miners, and had it not been for the conciliation agreement fixing a minimum wage until broken by three months' notice, coal miners' wages would probably have gone lower still; and while those employed in the steel trade and other cognate industries are apparently suffering a reduction in wages, and the English miners had their wages reduced only the other day, and at least one Scottish colliery has been closed, yet, seeing that the prices of shale products have risen to some extent during the present year, and apparently have still an upward tendency, I think that I would not be justified in making any reduction on the present rate of shale miners' wages. On the other hand, the present prices of shale products have only reached the point at which they stood at the time of the last reduction of wages in 1901, and looking to the relation of prices to wages throughout the last fifteen years as shown on the chart No. 7 of process, I cannot say that present prices would justify me in making any advance upon the present rate of wages."

The claim that the question should be decided on the principle of the companies and the shale miners sharing equally the profits and losses of the oil business is not admitted.

"The present demand by the shale miners for an advance of wages seems to be based upon the proposition that they are entitled to a full share of the profits of the oil companies' business, both mining and manufacturing, and, of course, this must necessarily involve the sharing of losses also. Now, I wish to point out in the first place that this is a basis entirely different from, and incompatible with, the basis on which almost all the great industries of the country, and among others the mining industry, have been and are carried on. At one time it was hoped that all difficulties about the due remuneration of labour were to be happily solved

by co-operation in the proper sense of the word—that is to say, a combination in the same individuals of the functions of labour and capital. In the late Mr. John Stuart Mill's well-known chapter on the probable future of the labouring classes, published first in 1848 (*Principles of Political Economy*, Book 4, page 7, section 4), he writes:—‘There can be little doubt that the status of hired labourers will gradually tend to confine itself to the description of workpeople whose low moral qualities render them unfit for anything more independent, and that relations of master and servant will eventually become superseded by partnership in one of two forms. In some cases association of the labourer with the capitalist, in others, and perhaps finally, in an association of labourers among themselves.’ This forecast made by a true friend of labour has, for evil or for good, not been fulfilled.

“I am indebted to Professor Nicholson's work on political economy for the following figures:—On June 30th, 1899, there were throughout the British Empire (Abstract of Labour Returns for 1900, p. 104) 85 businesses in which profit-sharing was known to exist, and the number of persons employed in them was 51,829. At the end of 1899 there were in the United Kingdom 1,826,518 members of trade unions, an increase in eight years of about 300,000, such increase being five-fold, the total number of profit-sharers in the Empire.

“The figures for co-operative production are still more striking. In the United Kingdom in 1898 there were 865 of such societies, with a total membership of 30,104. The value of the goods produced was £10,200,598. For the same year the total number of persons employed in factories and workshops in the United Kingdom was 3,807,024, and the aggregate value of the foreign trade only was £764,392,571. It will be seen from these figures that the amount of profit-sharing is practically infinitesimal when compared with the great mass of industry conducted on the ordinary system of payment by wages. While trade unions have increased enormously in numbers, in resources, and in capitalised funds, they have not devoted themselves, so far as I am aware, to starting mines, collieries, factories, or works of their own, in which their members would share profits, but they have devoted themselves to efforts to raise the standard of ordinary wages in the various industries, besides providing for members of the unions who had fallen into poor circumstances through illness or otherwise.

"Again, when the Limited Liability Companies Acts were passed, it was hoped by many interested in the welfare and prosperity of those engaged in manual labour that, by the starting of industrial companies with shares of small amounts, an opportunity would be offered to the employees of industrial concerns to invest their savings in the concern in which they were employed, and thus take an interest in and share in the profits of the business; but, so far as I am aware, this opportunity has not been frequently taken advantage of for that purpose. The shares of the oil companies we are at present dealing with were originally of small amount, such as £10, £8 10s., and £4, and they are still to be bought at such prices as £18 12s. 6d., £9 10s., and £2 9s. 3d., yet I do not know whether many, or indeed any, of the shale miners have taken the opportunity of investing their savings in these companies. If they have not, I think they have probably acted wisely, for they are much safer to invest their savings in savings banks, or by way of subscriptions towards unions or friendly societies, than by risking them in such companies as oil companies. But the fact remains that neither in the way of becoming shareholders of limited companies nor of applying trade union funds to starting industrial businesses have the labouring classes in this country elected to combine in their own persons the functions of capital and labour, though I do not abandon the hope that some day great progress may be made in this direction. . . . It would be most inequitable that one of the parties should share the profits and yet not share to the full the losses of the business."

After showing how impracticable such a partnership would be, the arbitrator continued:—

"The next matter which Mr. Wilson desired that I should determine was what is a fair industrial dividend, and he states that he holds that 5 per cent. is a fair minimum industrial dividend. . . . In this connection, his references to 2½ per cent. of bank interest and the interest of heritable security or Government stock are entirely beside the point. In these securities there is an absolute safety as can be obtained against the loss of money invested—it is much safer in them than in the proverbial stocking; but in an industrial concern the whole question is one of risk, because people who have saved money, and thus become possessed of capital, which, after all, is only the savings of labour, of some sort, either physical or mental, will not invest in risky concerns except in the hope of a

very high return should they turn out to be successful. The question of what is a fair dividend can therefore only be answered by considering what risk is run, and this must vary with every different business in the country. Taking the shale industry, it has been stated, and probably truly, that in 1872 there were 51 oil companies. Of these six now survive, and if a man had been asked in 1872 what dividend would tempt him to invest his money in any one of these 51 oil companies, if he had been told that in 1903 only six of them would survive, and that his company might be one of these six, it would be a very difficult question to answer. I should fancy that, as the chances were more than eight to one in favour of his losing all his money, he would not have run that risk unless on the promise that if he should happen to be in one of the successful companies he would get 50 per cent. of a return on his money in 1903. But the question is really incapable of an answer, and if, as was suggested . . . an Act of Parliament were to authorise some tribunal to determine what was a fair dividend on any industrial concern, it would speedily put a stop to investment in such concerns as these oil companies, and have the result of driving money out of the country to seek employment elsewhere.

“On what capital is a dividend to be computed in settling what surplus is available for division between employers and employed? Difficulties do not end there, for another question further arises of which Mr. Wilson virtually asks a solution, and which is:—On what class of capital is a fair dividend to be calculated? He maintains that it ought to be calculated on the ordinary share capital alone. I cannot accept this. I think it only just that it should be calculated on the whole capital employed in the business, however raised, because Preference or Debenture capital can only be raised by the Ordinary shareholders taking on their shoulders additional risks, for which, of course, they must be paid, and the only fair calculation of what constitutes surplus profits in Mr. Wilson's view, must, in my opinion, be based on the footing of taking into account the whole capital employed by each of the companies.

“Another question propounded was whether the companies in calculating the profits of the supposed partnership are, or are not, entitled to deduct money expended in renewing their plant, building new retorts and the like. Mr. Wilson contends that they are not entitled to do so, and he answers a question put to him on this subject by saying, ‘My answer is that if a man buys a horse and pays £50 for it, that horse will

go done, but he gets a certain amount out of it, and he loses his capital.' This is a very good illustration, but could it for a moment be contended that if a carter had just £50 in the world besides his cart and harness, and bought a horse with that £50, that he would be acting properly and wisely in spending the whole of his earnings every year instead of laying by so much every year, so that when his horse came to die he would have money to buy another. Surely not, and I cannot conceive worse financing than for a company to carry all its renewals of plant and retorts to capital account. It would not only be bad financing, it would be dishonest, and directors who indulged in such proceedings and divided the earnings of the company before allowing for all renewals of plant would very properly be called severely to account for it. All of these oil companies are bound and entitled to charge to revenue before calculating profits all the reconstruction of their retorts and other plant which the lapse of time or the progress of invention renders necessary, and it is necessary that they should do so if the industry is to continue at all and to offer employment to the miners themselves. I have dealt with these points because, having been raised before me, I think it no more than courteous to express my views upon them.

"Although, for the reasons I have already stated, I consider that profits, or an average of profits, do not form a practicable or possible basis on which to calculate the wages of shale miners, and that, as I have already stated, prices of oil products are of more importance, yet, in view of what was said by Mr. Wilson at the discussion as to the justice of labour participating in the profits of any particular industry, I think it useful to point out what the past experience of these oil companies has been as shown in the statements drawn up and certified by a competent accountant. From the statement No. 4 it appears that during the 15 years from 1888—89 to 1902—3, both inclusive, the capital lost by defunct oil companies amounts to £1,675,282, while the total amount of dividends and interest paid by all the companies during these 15 years amounted to £1,357,378, showing that capital has been lost in excess of interest and dividends paid to the extent of £318,004. This is without calculating money lost by outside creditors of the various companies, which Mr. Jones assured us from knowledge of his own case amounted to a very considerable sum.

"These figures show that as far as this industry is concerned capital has been a very heavy loser in comparison with labour,

and as a consequence that the wages paid for labour have been more than the business could afford. Similarly we find that during the seven years from 1896—7 to 1902—3 the capital loss in excess of dividends and interest paid amounted to £74,015, while for the year 1902—3 the capital loss in excess of dividends and interest paid amounted to £233,975.

“Mr. Wilson strongly objected to these defunct companies being referred to, but I think it is quite necessary to do so in dealing with a general question such as is now involved, and in considering what is equitable between the companies and the miners; and if the statements made by Mr. Fraser . . . are correct—and they do not seem to be denied by Mr. Wilson—it shows pretty clearly that, whatever may be his intentions for the future, he has not in the past advised his constituents—even when the companies were on the point of destruction—to depart from their wages as fixed by reference to the coal miners’ wages or to share—and, to use his own words . . . ‘to the full in the adversity of the oil trade, when the companies could not carry on their business unless the shale miners make as heavy sacrifices as the employers are doing.’

“But a reference to the defunct companies brings up a question which in considering whether shale miners have been and are being fairly treated or not is of great importance, and that question is,—How does it happen that the six companies appearing in this arbitration are in existence at all, or have any profits to divide? The first remark that occurs is that all the defunct companies paid their miners equally well with those that survived, and received from them equally good work. It therefore seems to stand to reason that mining labour has nothing whatever to do with the survival of the six remaining oil companies, for it did not succeed in saving the other companies from ruin. To what, then, are their present existence and their present capacity to make profits due? Apparently entirely to two things—First, more skilful, intelligent, and inventive management in the manufacturing department of their business; and, second, to the credit which enabled them to raise capital with which to carry on. Now, with these two elements it cannot be suggested that the miners have anything whatever to do, and therefore, so far as their claim in this particular instance is concerned, it would appear that they have no equitable right to share in the humble profits which are now being made by these companies, who, after all, have only paid on their capital an

average of 5·53 per cent. for the last seven years, and 7·39 per cent. for the year 1902—3, and have not had time to recoup themselves for long years of depression.”

RECENT OFFICIAL PAPERS.

Mines and Quarries: General Report and Statistics for 1902.
Part I. [C^d. 1601.] Part II. [C^d. 1795.] Part III. [C^d. 1817.]

DURING the last thirty years the number of persons employed in coal mines has increased by some 300,000 up to 825,000 nearly, while the number employed in metalliferous mines has decreased by some 30,000 to below 31,000. The output of the coal mines has increased by nearly 60 per cent., that of the metalliferous mines has decreased by some 25 per cent. The rate of death from accidents per 1,000 employed has decreased considerably in both kinds of mines. Two new tables are given showing the number of young persons killed or injured at coal mines in 1902 respectively 74 and 329.

Review of the Trade of India in 1902—3. [C^d. 1802.]

COMPARED with 1901—2 the total trade has risen by 3·2 per cent., although the imports are smaller. The fall in importation of sugar, some 17 per cent. of the total value, is compounded of rise in the imports of cane sugar, and decline in those of beet sugar consequent on the additional countervailing duties imposed in 1902.

Report by Mr. C. W. Campbell, H.M.C., on a Journey in Mongolia. [C^d. 1874.]

A racy description of native manners.

Forty-seventh Annual Report of the Registrar-General for Births, Deaths, and Marriages in Scotland. [C^d. 1923.]

THE birthrate, 29·5 per 1,000 inhabitants, is the lowest on record. The number of illegitimate births, 8,359, out of a total of 132,192 births, is the smallest since 1855 (when the population was about two-thirds of the present population.) The proportion of

males to females is 105·1 : 100 for legitimate births ; for illegitimate births, 106 : 100. The marriage rate, 7 per 1,000, is almost the same as in 1857, since when the rate has oscillated between a minimum of 6·34 and a maximum of 7·77. The death rate was 179 per ten thousand inhabitants in 1901, and 185 for the preceding decade.

Return of Persons Employed in Factories, Workshops, and Laundries. [C^d. 1979.]

A SUPPLEMENT to the annual report of the Chief Inspector of Factories and Workshops for the year 1902.

Return of the Exports of Sugar and Fruit from the British West Indies to England, Canada, and to all other Countries, for the years 1899—1900, and 1902—3. 1904. [C^d. 1987.]

THE value of fruit exported from the British West Indies to the United States has increased from £816,999 to £1,186,501, the corresponding increase for the United Kingdom being from £45,646 to £142,008.

Report on Jamaica for 1902—3. [1768—¹⁹.]

AN unfavourable judgment on the working of the subsidy given to the export of fruit from Jamaica to the United Kingdom.

Report on Cotton Cultivation in the British Empire and in Egypt. [C^d. 2020.]

A SURVEY, statistical and descriptive, shows the need of fuller inquiry.

Report to the Board of Trade by the Advisory Committee on Commercial Intelligence, 1904. [C^d. 2044.]

THE Committee claim credit for, *inter alia*, Mr. Birchenough's report on British Trade in South Africa. [C^d. 1844]. Appended are reports on the New German Customs Tariff and the New Russian and proposed new Austro-Hungarian Tariffs, embodying the apprehensions of British Chambers of Commerce. The percentages of increase in German rates are for some articles above 1,000 per cent., for several above 100 per cent. The medium of

the percentage rates of increase is about 25 per cent. for the Russian tariff, and also for the Austro-Hungarian tariff.

*Board of Agriculture and Fisheries Railway Rates and Facilities.
Copy of Correspondence between the Board and the Railway
Companies in Great Britain, as to the Carriage of Agricultural
Produce and Requisites. [C^d. 2045.]*

Is it reasonable that the rates for rams carried in crates should be higher than for ewes, that a horse-dealer is allowed a reduction of 20 per cent. on the rates charged on consignments of 12 or more horses? These are specimens of the questions which led to a correspondence for which the Board asks for information on various points, *e.g.*, as to the principles which guide the companies in the settlement of the rates for the carriage of imported agricultural produce from the ports to the great urban centres, as compared with the rates for British produce from inland stations. The companies give explanations, *e.g.*, that "the rates from ports to inland stations are not applicable exclusively to foreign produce," but equally to home-grown produce. The President of the Board appoints a departmental committee to inquire as to the rates charged by railway companies in Great Britain, in respect of the carriage of foreign and Colonial farm, dairy, and market garden produce. . . . and whether preferential treatment is accorded to such produce as compared with home produce.

Trade of British Colonies with Foreign Countries, 1904. 110.

*Emigration and Immigration from and into the United Kingdom
in 1903, 1904. 145.*

The total passenger movement both with European and non-European countries was much greater than in the two previous years.

Trade in the United Kingdom with Germany, 1904. 131.

THE value of the trade between the United Kingdom and Germany as differently stated in the British and German statistics is shown; and the value of the statistics is discussed.

OBITUARY.

GIROLAMO BOCCARDO. •

THE crowded and glorious phalanx of Italian economists was bereft on March 20th of one of its most venerable and illustrious members—its very Nestor, we might say—in the person of Girolamo Boccardo. He was carried off by sudden illness while yet in full possession of his faculties, and occupied with arduous labours in connection with national legislation and administration. And though for many years he had become almost a stranger to scientific progress, following it but as an amateur, or from intellectual curiosity, political economy, nevertheless, cannot but mourn his passing away, seeing that with him there has gone one of the most amiable and gifted of her propagators.

Boccardo's most memorable contribution to economic science, and the work which first made him famous, was the *Trattato teorico-pratico di economia politica*, which he published in 1853, at twenty-four years of age. In it the classical doctrines of the British school are tempered by those of French economists, the subject being treated in an extremely genial and pleasing style. This book exercised an extraordinary influence in spreading the study of economic science in Italy, and investing it with interest and attractiveness. To it, in great part, is due the very wide acceptance accorded to that science in Italy, and the very abundant following yielded to its utterances by all classes of society, which for a long time was so characteristic of our nation.

It must be admitted that the numerous editions through which the *Trattato* passed did not conduce to its melioration, inasmuch as the author, wishing at any cost to graft on the older stem of British doctrines the newer shoots appearing in the German field, fell at times into incongruities and the crudest hybridisms. But this unquestionable deterioration could not avail to attenuate the spell cast by this fascinating book. It continued to seduce and charm the younger generations of the peninsula. Even to-day—I am constantly witnessing the truth hereof myself—the youth of Italy, gibing at the abstruse argumentation of the latest dogmatists, turn with ardour to those feeling and eloquent pages, where sleeps no rigid and exanimate dogma, but where vibrate the pulses and the restlessness of life.

The "Tractate" did not exhaust Boccardo's scientific activity

in the field of economics. On the contrary, it created a wide opportunity for further expositions in the shape of numerous essays and volumes. Having succeeded Ferrara as editor of the *Biblioteca dell' Economista* (1874), he wrote a series of Introductions to the volumes of this important collection, among the more noteworthy being those on *Sociology*, on *Quantitative Methods in Political Economy*, and on *The Animal and the Human Being*. But all offer the attraction of that vivacity and graciousness of style of which he held the secret.

Besides these he published a book on *Banks*, in which he upholds the theory of one central Bank, and recommended the conversion of the south Italian banks into institutes of agrarian credit. He also wrote a volume entitled *Socialismo sistematico e socialisti inconscienti* (1896), in which he gives an exposition and trenchant criticism of Socialistic theories and propaganda. He published, moreover, a number of articles in the *Nuova Antologia*, among which we recall the fine *esprit* evinced in the paper on the *Assicurazione degli infortunii industriali*, and the remarkable essay on the crisis in Italian banks of issue.

But the wonderful versatility of his genius suffered him to stray with equal good fortune into fields remote from political economy, as witness his *Fisica del Globo* (praised by Quetelet), *Le Novità dell' Industria*, the *Prediche di un Laico*.

Boccardo was not only a versatile writer. He was also an elegant and cultured orator, and the speeches he delivered in the Senate are notable for wealth of matter and correctness of reasoning. But in politics he was a very lukewarm partisan, and could never be found championing the cause of any party. In no phase of his being and doing did he ever appear as a combatant, or as an investigator of thorny questions, or as the standard-bearer of a theory or a school. He took delight in thought itself, and enjoyed sucking the finest honey from modern culture, and distilling its most agreeable aroma in his facile and genial writings. A fervent admirer of English literature, with which he was highly conversant, he loved to interrupt the severest Parliamentary or bureaucratic labours by reading a novel by Dickens or Thackeray, or an essay by Macaulay or Bryce. Open to all ideas on liberty, a confessed follower of Darwin and modern evolutionary science, opposed to all superstition and reaction, he included Marx's *Capital* in the *Collezione dei Classici Economisti*, and by word and act showed himself in favour of social legislation. Thus from the outset to the end of his career he stands out as the most successful representative of the happy mean between liberty and socialism,

or of that mysterious line of intersection between Cobden and Marx, which so many economists of lesser repute have vainly striven to grasp.

As for us who hold with more definite solutions, we bow in reverence before the genius and versatility of this venerable old man ; and even as, in other days, we took no part with pretentious youths who treated his work with lofty disdain, so, to-day, in sincerity of heart, we lay on his tomb the tribute of our sad lament.

ACHILLE LORIA

University of Turin.

CITY NOTES.

WE have received the following from R. G. :—

The Budget.—Mr. Austen Chamberlain's first trial in Budget-making, which at one time threatened danger to the Government, has been a remarkable success. "Out of the nettle danger he has plucked the flower safety." The success is also well deserved. Having to face a deficit, always a serious matter for a Government, and especially serious for the present Government, as people commonly looked for surpluses again when peace had fully returned, he decided to make a clean breast of it, and to provide for the deficit in a simple and non-contentious manner, without raising any awkward questions for his colleagues or party. A penny was accordingly added to the income-tax, 2d. a pound to the tea duty, and a small amount to the tobacco duty, the latter mainly to correct anomalies which ought not to have existed. In these ways a sum of about four millions was found without any difficulty, the arrangements as finally settled showing a handsome surplus. Everybody accordingly was pleased, no one objecting on the Government side, and the Opposition being specially pleased at the absence of any attempt to raise the fiscal question. It was in truth a purely business Budget, as all Budgets ought to be, unless under most special circumstances. The primary duty of a finance minister is to find the means of carrying on Government smoothly, with as little annoyance to the taxpayer as possible ; and it was his recognition of this primary duty which enabled Mr. Austen Chamberlain to make so good a statement. His reputation is thereby enhanced greatly. Parliament has a tried financier to rely upon in, perhaps, very difficult emergencies in the future.

The Growth of Expenditure.—Most of the Budget discussions turned upon the growth of expenditure in recent years, to which the deficit was due. No one disputed the facts. Mr. Chamberlain's way out in defence of the Government was simple, and, as it appears, unanswerable. There has been a large growth in recent years, but when a comparison for a long period is made, say, forty years, it is found that the growth is merely in proportion to the growth of wealth, or not quite so great, and that the country is just as able to bear its present burdens as it was to bear the burdens of forty years ago, when Free Trade had been fully established. The country, accordingly, is not being ruined by large expenditure. All this is no reason why expenditure should not be fully examined and criticised, and retrenchments made as far as practicable; but it is a reason against undue pessimism. There is still an absence in parliamentary discussions of any reference to what should be the measure of expenditure. No minister explains why we have an Army and Navy of the size we do have, and not larger or smaller, or points out that the desired article cannot be obtained for less money.

Russo-Japanese War.—The progress of the war has continued to be unfavourable to Russia, and it is noticeable already that the Stock Exchanges are beginning to consider the chances of peace. The Russian Press continues to talk loudly of not listening to peace overtures until the Japanese are defeated; but as hostile operations develop, it is beginning to be seen that it is literally impossible for Russia, under the actual conditions of its imperfect communications with the Far East, apart from all questions of the relative merits of Japanese and Russian armies, to beat Japan. How, then, can Russia avoid making the best terms in its power, and so getting out of an adventure on which it embarked without forethought? Such is the reasoning of the Stock Exchanges, and it will not be surprising, accordingly, if Russian statesmen, with all their pride, bow to the inevitable. At any rate, there has been of late a tendency for most Stocks to improve, including Japanese. Russian Stocks halt; but improvement there will also come when peace is made.

Consols.—Consols, and other gilt-edged securities, have also risen. Consols have touched 91, which compares with the extreme fall to 86 only a few months ago. This rise is partly due to the

causes which annually determine an advance in Stocks in May, so that "May hill" has come to be a recognised feature in the annual course of Stock Exchange business. One reason for this is apparently the reinvestment of dividend money, which investors choose to make rather in the spring than at any other time, when the previous year's accounts have been fully closed, and they can see how they stand. When May is passed, a new cause for depression in Stocks arises. Dealers and jobbers then begin to set their house in order with a view to the holidays. Open accounts for the rise are closed, and so there is a weakness in the Stock Markets which often lasts well on into the summer and autumn. There can be no question, at any rate, that there has been a "May hill" this year, and the Stock Markets are more cheerful than they have been for many months. The symptom of new prospectuses has also been conspicuous.

R. G.

LABOUR NOTES.

THE general conditions of employment show, as the *Labour Gazette* expresses it, but "little change" since March. Even the normal seasonal improvement of the spring has not been very decided, advance in one direction having been often counter-balanced by decline elsewhere. The cotton and ship-building trades continue to be those in which depression is most marked. The Board of Trade curve of unemployment still showed six per cent. of the Trade Union members covered by the returns as out of work at the end of April, as compared with 4.1 per cent. a year ago, and with a mean of 3.8 for the past ten years.

IN spite of this apparent stationariness at a low level, the feeling is spreading that when change comes things will move in the right direction, and improvement is likely to be stimulated by the lower Bank Rate that has at last been declared, and by the easier monetary position of which it is a sign. For the moment, however, when changes in rates of wages are reported, and few are taking place, they are still for the most part downwards, but in the north among the boiler-makers, engineers, and steam-engine makers demands for advances—somewhat premature perhaps—

have been under discussion. Among coal-miners the movement in wages is still downwards, and in the cotton trade the immediate outlook is still very gloomy.

THE activity of the British Cotton Growing Association, and the sympathetic ear from Government that has been won, may eventually bring good out of ill if the shortage in the American cotton-fields and the gambling in the American market should lead to the permanent extension of the area of supply. The suffering that has been caused during the past winter has to be written down as an irrecoverable social debt of unknown volume, but Mr. Macara, the President of the Master Spinners' Association, has made an instructive estimate of the material loss that has resulted from the short time that has been worked in Lancashire mills by, it is calculated, one half of those engaged in the various processes of the cotton industry. The basis of calculation has been the difference caused by the substitution of 40 hours per week in spinning for the normal $55\frac{1}{2}$ hours, and the aggregate loss for the estimated quarter of a million of workers of every class affected works out at £110,000 per week. To this sum an additional £40,000 per week is estimated to have fallen on employers, and the total loss is thus equivalent to nearly two million pounds per quarter. The resolution of the Master Spinners to work short time dates from the beginning of the year, and short time is still the rule in mills using American cotton.

UNEMPLOYMENT, as well as working short time, has been the not infrequent consequence of the shortage of the supply of the Lancashire staple and of the artificially exaggerated attendant difficulties by which this county has been confronted, and in the report of the Cotton Spinners' Association for 1903 it is stated that out of the £56,000 paid away during that year for out-of-work benefit, £36,000 was attributable to the abnormal circumstances of the time. Among the members of this Association, no fewer than 19·38 of the total were stated to have been unemployed at the end of April of the present year, and even this high figure was exceeded at the end of March, when the percentage was 20·95.

THE Boiler Makers and Iron and Steel Shipbuilders, according to the annual report of their Society, closed the year 1903, in spite of depressed trade and of the drain upon their funds of over

£71,000 for unemployed benefit, with a balance of £397,243, or only £17,844 less than at the close of 1902. Membership at the end of 1903 was 48,582, and remained practically stationary throughout the year. Only £1,214 was paid away on account of disputes, as compared with about £95,000 paid away for various forms of friendly benefit, in addition to the amount absorbed for unemployed benefit already mentioned. Sick benefit alone required more than £45,000. The unemployed members ranged from 8 to as many as 15½ per cent. of the total members, at different periods of the year. During the first quarter of the current year, the balance in hand in the Society declined nearly £12,000, this being the largest decrease shown in any three months during the present spell of depression.

THE Conciliation Board for the federated coal districts has now been fully constituted, with Mr. Hewlett, the employers' representative, as President, and Mr. Enoch Edwards, the men's representative, as vice-president. The Board will after all have the benefit of the ripe experience and judicial mind of Lord James of Hereford as independent chairman, he having, in response to the unanimous request of the members, consented to withdraw his resignation.

ON the South Wales and Monmouthshire Conciliation Board, the resignation of the independent chairman has become operative, and Lord Peel has been succeeded by Sir Michael Hicks-Beach. Another important change has taken place on this Board, Mr. F. L. Davis having been appointed permanent chairman of the coal-owners' side, at a salary of £2,000 per annum. Hitherto, the position has been an honorary one, but the abolition of the sliding scale, in having destroyed an arrangement by which wages were automatically determined, has at the same time greatly increased the duties and the responsibilities of the chairman, and has thus led to the present arrangement. In this district, the Board has had to consider counter proposals—on the side of the mine-owners for a drop of five per cent. in wages, and on that of the men for a rise of three and three-quarters per cent. After discussion, and without any reference to the newly appointed independent chairman, both demands were withdrawn.

THE movement in favour of federation is still making headway among miners, and discussion on the question is active at the present time among a section of the men in Northumberland. At the last meeting of the Council of their Association, three resolutions pointing to federation were on the agenda, one of them being the official recommendation of the executive "to appoint a committee to meet the representatives of the Miners' Federation, with a view to discussing terms and conditions on which we can become members of the Federation." This recommendation has been adopted.

THE General Federation of Trade Unions is not yet five years old, but it already holds a reserve of nearly £100,000. It is probably the strongest federated body of various trades that has yet existed, and its influence is still being thrown into the scale that makes for industrial peace.

THE result of the voting on the second reading of the Trade Disputes Bill, moved by Mr. Paulton, when its supporters secured a majority of thirty-nine, has been a source of considerable satisfaction among trade-unionists, for the Bill proposes to redress some of those unexpected disabilities, especially as regards picketing and the corporate responsibility for all official acts, that the Taff Vale and other judgments have placed in the way of their organisations. It is recognised, however, that the vote is a "moral" victory, and that there is no likelihood of its being followed by any legislative triumph. The Government still holds its hand, waiting, if for no other reason, for the report of its Commission.

FROM Australia has come the news of a still more striking victory, for at a time when "labour" in this country is preparing the way for a fuller representation in the House of Commons, the new Commonwealth has suddenly placed a Labour Ministry in office. The deciding vote turned on the vexed question of industrial arbitration, and upon the refusal of the late ministry to include State employees in the Bill that had been introduced. An amendment in favour of their inclusion was carried on the initiative of the labour members, and Mr. Watson, their leader, has been called upon to form a ministry, and has succeeded. His tenure of office is, however, one of sufferance, as his followers, comprising only about one-third of the Federal Parliament, can

only retain power by the support of members drawn from one or both of the other two parties, and thus only by compromise and conciliation. These qualities are so far being displayed, but the position of the new Ministry is one of especial difficulty for those whose genius does not make easily for anything of the nature of opportunism, and whose propaganda is often characterised, if by narrowness of economic outlook, also by intensity of conviction. A wider outlook is, however, the normal result of a greater responsibility, and the educational value of the present arrangement is not likely to be less than that of the legislative proposals to which it may lead.

THE representation of "labour" in the House of Commons raises questions of far greater importance than that of the position of any individual, but when the action of such an admittedly useful member as Mr. Bell is being actively discussed as at present it may be assumed that some question of principle is at stake. The Amalgamated Society of Railway Servants, of which Mr. Bell is the general secretary, is affiliated to the National Labour Representation Committee, but Mr. Bell has not seen his way to accept the conditions of candidature laid down by this body, and has thus disqualified himself as one of its recognised candidates at the next General Election. The Executive of the Railway Servants' Society having had the relation of their Secretary to the Labour Representation Committee brought officially to its cognisance, has had to take official notice of it, and, in accordance with a resolution passed on March 24, the next Annual General Meeting of the Society will be asked to consider the matter. If the present rule of affiliation to the Labour Representation Committee is retained, Mr. Bell will obviously have to stand at the next election under some other auspices than those, either of his own trade society, or of the Committee. If it is rescinded, the Society will be free to take any action it thinks fit, either as regards Mr. Bell's adoption, or in granting him financial support. While, however, the rule of affiliation is operative some such resolution as that passed by the executive, regretful, appreciative, criticising, and referring the final decision to a wider constituency, was perhaps inevitable, and meanwhile the matter is being actively discussed by the rank and file in the various branches of the Society.

THE great majority of the resolutions that are being passed appear, when a direct opinion upon Mr. Bell's action is expressed, to be in his favour, although a note of sharp criticism is occasionally heard, and the opinion of the Executive Committee, that the controversy is doing "an incalculable amount of harm among the rank and file of our members," is probably too well founded. The personal element apart, the chief sources of difference probably turn on the "strong element of Socialism" by which the Labour Representation Committee is characterised, and, still more, on the practicability of organising a Labour Party in this country that has at present any chance of maintaining effectively that degree of political independence upon which the Labour Representation Committee insists. Mr. Bell, it may be noted, doubtless recognising the binding character of the rule of affiliation, accepts the resolution passed by his own executive: "The decision might appear," he is reported to have said, "to be of a hostile character, but it was not hostile. . . . He thought that the Executive Committee felt, as he felt, that as a Labour representative he was doing the right thing in accordance with his own convictions in the interests of the Society" (*Railway Review*, April 22, 1904). But he claims that he is not only the representative of the railway-men, but of "labour," and the opinion that this claim is justified appears to be held widely among his own constituents, the Derby Trades Council having passed a resolution almost unanimously, on March 30, readopting Mr. Bell as their candidate, and urging members of the Amalgamated Society of Railway Servants to revise the conditions of his candidature.

AN interesting and valuable report on "Bonus to Labour" has been recently published by the special committee appointed by the Scottish Section of the Co-operative Union, as long ago as 1895, under the chairmanship of Mr. W. Maxwell, the President of the Scottish Wholesale Society. The scope of the report narrows the subject down to the employees of retail co-operative societies, but in this connection three questions of importance have been asked and answered: (1) "Should workers share in the profits with their employers?" To this the reasoned answer is given in the affirmative, both on moral and on economic grounds. (2) "Should the workers be dealt with individually, or in groups under departments, or as a whole without distinction?" The recommendation is that profits should be pooled, the workers being treated all alike, the argument being that by this way alone

can interest be widened out from the individual or the department to the whole undertaking. (3) "How, and in what proportion, should the workers share in the profits?" The recommendation is "that each society should allocate a proportion of its profits, sufficient to pay a bonus of not less than five per cent. on wages earned, so long as the dividend on purchases exceeds five per cent.; when it comes below this, bonus on wages to be the same as dividend on purchases." The "labour" question is, it is true, not of first-rate importance in its connection with the retail co-operative societies, but it will be seen that the principles discussed and the recommendations made by the Committee are of far wider application. The report is printed in full in the *Scottish Co-operator* for April 29.

At the Annual Congress of Co-operators, which is being held (May 25) at Stratford, 1,500 delegates have assembled, and the report of the Central Board of the Co-operative Union is again able to show figures which illustrate the general and steady progress of the movement. It now includes considerably more than two million members, and the aggregate trade, including that of the two Wholesale Societies, is about £90,000,000 in the year, the sales of the retail societies amounting to about 57½ millions. These are considerable figures, but the real significance of the movement has nevertheless to be found, not so much in numbers, either of persons or of pounds sterling, as in the hopefulness of the forms of industrial life that it is able to test in practice, and in the sincerity of its moral purport.

ERNEST AVES

CURRENT TOPICS.

THE Royal Economic Society will meet at dinner on Thursday, the 14th of July, 1904. The Right Hon. A. J. Balfour, M.P., one of the Vice-presidents of the Society, will preside.

SECTION F of the British Association, which, as we announced in the last number, is to meet this year at Cambridge, August 17th—24th, will begin its work on Thursday, August 18th, when Professor Smart will read his presidential address. Friday, 19th,

will be devoted to the discussion of questions relating to International Trade. Housing and cognate subjects will occupy Tuesday, August 23rd. Among the agenda for other days may be mentioned a paper on the relation between improvements in agriculture and economic rent, by Professor A. Flux; a paper on wages in Belgium, by Professor Mahaim; and one on the economic importance of the family, by Mrs. Bosanquet. It is expected that besides many English economists and statisticians, in addition to those named, there will be a galaxy of foreign experts, including Professor Bauer, Professor Hasbach, Dr. Körösi, Professor Mahaim, Dr. Pierson, M. Yves Guyot.

THE Sociological Society, whose origin and constitution we described in a former number, has begun its work. Papers have been read by Dr. Westermarck, on *Woman in Early Civilisation*, and by Mr. Francis Galton, on *Eugenics*. *Sociology and the Social Sciences* (by Professor E. Durkheim), *Civic as Applied Sociology* (by Professor Patrick Geddes), are the subjects of forthcoming papers, described as short papers, intended to open a discussion, in which several well-known authorities have promised to take part. Further particulars may be had from the Secretary, Victor V. Branford, 5, Old Queen Street, Westminster.

THE two offices at the London School of Economics vacated by Mr. Hewins at the end of last year have now been filled up. Mr. H. J. Mackinder, who held before, and still retains, the post of Lecturer in Economic Geography at the School, has been appointed Director. The other office vacated by Professor Hewins, the Lectureship in Modern Economic History, is filled by Miss Lilian Tomn. This is the first instance, we believe, of a lady becoming an "appointed teacher"—appointed and paid by the University of London. The class of "recognised teachers," such as have been appointed and are paid by the several "Schools" of the University, and other institutions at which instruction is given under the auspices of the University, is less exclusive. There are fifteen teachers "recognised" in the Faculty of Economics, but only seven "appointed" teachers, namely: Bowley, Arthur Lyon, M.A., Teacher of Statistics (London School of Economics); Cannan, Edwin, M.A., Teacher of Economic Theory and Finance (London School of Economics); Foxwell, Herbert Somerton, M.A., Teacher of Banking and Currency (London School of

to the Company at the end of the lease in the usual way. (b) Perpetual leases with periodical revision of the rent of the land considered apart from the tenant's buildings and improvements. The ordinary lease (a) has some advantage over the existing system, as the reversion of the improvements will go to the community as a whole, and not to private individuals. But while the Directors think it necessary to give prospective tenants the option of the lease (a), they consider the form of lease (b) to be the most desirable in the interests of the tenants and of the whole scheme. "The tenant can build not with a view to the approaching end of his lease but for perpetuity. His buildings and improvements are not forfeited to the landlord at the end of his lease, nor can his rent be raised so that he might lose the goodwill of his business, as now often happens. The periodical re-valuation will be carried out in the way which will most absolutely guarantee the tenant that the valuation shall give the real value of the land alone without including anything whatever of the tenant's improvements. And, as a further safeguard, it is proposed that in no case shall the rent be increased to the full amount of such increased value of the land."

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

April, 1904.

- An Economic View of Mr. Chamberlain's Proposals.* L. L. PRICE. "The kernel of an imperial fiscal policy consists of two complementary portions, of which the one is the preferential treatment of the products of the empire . . . and the other is the bestowal of less favourable conditions on external traders." "All that is required . . . is a diversion of the current of economic forces. For this purpose a small though decisive impulse may suffice." "The development of our colonial business is a promising means of avoiding economic loss"—loss threatened by "the slackening in our exports as a whole" and "the decline in our exports of manufactured foreign goods to protected foreign countries." Englishmen may be trusted not to "push a policy to an extreme." *Protection and Social Reform.* H. W. WOLFF. The experience of protected Germany shows that protection is antagonistic to social reform. *What do the Masses Read?* J. G. LEIGH. The women read the novelette, the men the sporting news. *The Housing Question.* S. J. JOHNSON. *The Principle of a justum pretium for labour.* FRED B. MARSH.
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Journal of the Royal Statistical Society.

March, 1904.

- The Smaller Urban Districts of England and Wales.* T. A. WELTON. *Trade Union Expenditure on Unemployed Benefit.* E. L. HARTLEY. [Variations in the cost per member of benefits to unemployed varied inversely with the variations of exports and (rather less closely) of imports.] *Our Exports of Coal-Capital.* J. H. SCHOOLING. [From the increase in the amount of our coal exports, rate of growth proportion to other exports, and percentage of imports paid for by coal, it appears that we are living partly on our capital.] *Prices and Commodities in 1903.* A. SAUERBECK.
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The Nineteenth Century.

March, 1904.

India and Tariff Reform. SIR EDWARD SASSOON, M.P.

April.

Japan's Financial Position. O. ELTZBACHER.*The Fortnightly Review.*

March, 1904.

The Fiscal Question. SIR CHARLES FOLLETT. In favour of Protection.*Contemporary Review.*

March, 1904.

Alcoholic Beverages and Longevity. T. P. WHITTAKER, M.P. Statistics extending over sixty years show that at the working ages, between twenty-five and sixty years, the annual mortality rates among abstainers averaged 40 per cent. lower than among non-abstainers.

April.

The Chinese Labour Question. HERBERT SAMUEL. *The Emigration of Capital.* J. B. FRASER.*National Review.*

March, 1904.

Reflections on the Fiscal Question. DUKE OF BEDFORD, "I steer clear of the fearful fog of figures which overhangs this controversy." . . . "Statistics and figures may busy the brains of a few, they cannot satisfy the stomachs of the many." . . . "Cheap food is a blessing to the working classes. But cheapness of food is immaterial if a man has no money to buy it." *Australia and Preferential Trade.* Hon. B. R. WISE (Attorney-General, New South Wales). England is falling behind in the Australian market, and her foreign rivals are gaining ground. Preferential duties on articles which Australia *might* import largely into the United Kingdom—butter, cheese, wheat, maize, bacon—would stimulate British trade with the Commonwealth, and secure Australian carrying trade to British ships. The preference given by the Commonwealth must, to secure revenue, be by surtax on foreign

goods, not rebate on British. The economic arguments in favour of free imports are weighty, but are outweighed by political considerations.

April.

A Business View of the Chinese Labour Problem. E. CRAWLEY.

May.

The Chemical Industry of Germany. O. ELTZBACHER.

Special Supplement.

The Principles of Constructive Economics. J. L. GARVIN. The principle of economic development which is to supplant *laissez faire* is set forth at length, and summed up in a set of propositions antithetical to the paragraphs in the merchants' petition of 1820. Thus for the maxim of "buying in the cheapest market and selling in the dearest" is substituted "buy in the fullest market and sell in the largest."

The Independent Review.

March, 1904.

Dumping. HUGH BELL. Four species of dumping are distinguished, and shown to be innocuous.

April.

Retaliation. H. MEREDITH. The uselessness and costliness of tariff wars—that between Germany and Russia was no exception—the difficulty of negotiation with so many different States, the advantage of the most-favoured-nation treatment, for the sake of which it might be worth while to fight, are pointed out.

May.

The First Garden City Company. H. E. SEEBOHM. A description of essential features.

The Monthly Review.

March, 1904.

A Comparison in Burdens. H. J. TENNANT. A reply to the objection that Free Trade is inconsistent with Factory Legislation.

The Journal of the Canadian Bankers' Association (Vol. XI., No. 2) has an article on the condition of British industry by Professor Flux. The writer contends that no case exists for a preferential tariff policy on the ground that British trade and commerce must otherwise decline.

The Quarterly Journal of Economics (Boston).

May, 1894.

The End of the Mexican Dollar. A. PRATT ANDREW. The coin long current in the Far East and the New World will soon be confined to Mexico; displaced not by rival dollars but by gold. *The Distribution of Maintenance.* CHARLES W. MIXTER. The diffusion not of wealth in general but of subsistence is discussed with reference to classical theories. MacCulloch's theory of absenteeism is criticised. "When a wealthy citizen absents himself" (or "his daughter marries an impecunious foreigner") . . . whether he realises his income in services or commodities, "if he draws domestic maintenance after him to pay for them," his own country will suffer in wealth and population. "This is what is likely to happen." Other applications bear on Ricardo's "unfortunate chapter on machinery," Mill's "long involved argument about velvet-makers and bricklayers" (Pol. Econ., Bk. I., ch. v.), Mr. J. A. Hobson's views on the investment of capital abroad. *Precedents for Defining Capital.* IRVING FISHER. A search for a definition by the light of learning with "the hope of removing a verbal obstacle which blocks the way to important ideas"—e.g. that of a "Flow." *New York Building Trades.* JOHN R. COMMONS.

Political Science Quarterly (New York).

March, 1904.

The Immigration Problem. R. P. FALKNER. The alleged decline in the quality and increase in the quantity of immigration are not proved. *The International Mercantile Marine Company.* E. S. MEADE. *The Minimum Sacrifice Theory of Taxation.* T. N. CARVER. The principle of *Minimum* as distinguished from equal sacrifice (see Prof. Carver's article in the *Annals of the American Academy*, July, 1895; also the *ECONOMIC JOURNAL*, Vol. VII., p. 556) would require an enormously high rate of progression, but for the indirect consequences repressing industry. A progressive tax with a rate of progression not too high to discourage receivers of large means from trying to increase them is recommended.

In a review of Prof. Ashley's *Tariff Problem* (see *ECONOMIC JOURNAL*, XIII., p. 571), Prof. Carver dwells on the ineffectiveness of retaliation as between Canada and the United States. With regard to the use of a tariff as a bond of imperial union he observes:—

"If American experience is any guide, British economists and publicists will be slow to base many hopes upon such a policy as that which is now being proposed. Next to the slavery question itself, no other question has been the occasion of so many sectional jealousies and class struggles; and no other question has come so near disrupting the Union itself as the tariff question. In the reviewer's opinion, it is about an even chance whether such a

system as that proposed in the volume before us would lead to a closer integration of the British Empire or set at work the forces which will sooner or later cause its complete disintegration.

The Yale Review.

February, 1904.

Recent Tendencies in Economic Legislation. DANA DURAND. Infringements of *laissez faire* following the report of the Industrial Commission are described by the secretary of that body. Recent laws about Corporations in certain States are good, but nugatory, as promoters will incorporate in other States. More is to be hoped from the inquisitorial "Bureau of Corporations" created by Federal Law. Several States have followed Utah in establishing a compulsory eight-hour limit for work in mines. Colorado, which enjoys woman suffrage, has prohibited the employment of women for more than eight hours per day in "factories and stores" . . . "in any occupation which requires standing." *The Problem of Monetary Reform in Mexico.* A Suggestion. MORRELL W. GAINES. *Workmen's Insurance in Germany.* N. PINKUS.

The notes refer to Massachusetts Committee [on which Prof. Dewey and the Hon. Carrol Wright served] on relations between employer and employee. Respecting employers' liability—one out of six heads—it is held that "the wear and tear of the human body in production should be as much a charge upon industry, and therefore ultimately upon the consumer, as the wear and tear of machinery."

The Journal of Political Economy (Chicago).

March, 1904.

The Organisation of Irrigation Companies. R. P. TEELE. *Commercial Leadership and Trade Morality.* W. G. LANGWORTHY TAYLOR. *Laissez-Faire in the Philippine Islands.* J. A. LE ROY. [Practical necessity has led to large infringements of the sacred principle.] *The Clearing House System.* THEODORE GILMAN. *History of the Working Classes in France.* A. M. WERGELAND. [Referring to M. Levasseur's second volume.]

The following remarks on the March number of the *Annals of the American Academy*, devoted to "Municipal Problems," have been sent to us by E. C.

The number begins with a remarkable article by Mr. Henry Jones Ford on the Principles of Municipal Organisation. Mr. Ford inquires why American Municipal Government is as unsatisfactory as it is. He refuses with good reason to attribute the fact to the character of the American people, and is therefore driven to attribute it to something defective in the municipal organi-

sation. There is nothing new in this, but it is really startling to find that Mr. Ford thinks the defect lies in the attempt to separate the legislative and executive departments. This is laying hands on the ark of the covenant with a vengeance! As he says, the American "instinctively revolts from it, because it seems to attack the fundamental principle of American constitutional law"; the usual American "idea which pervades theories of municipal reform is the necessity of sharper division and more effectual separation of the executive and legislative functions." Mr. Ford, however, has noticed that this separation is the one thing which distinguishes American municipal government from municipal government in countries where it is comparatively satisfactory, and he finds it to be only in accordance with common sense that the executive should be in close communion with the legislative organ. The whole discussion would be unintelligible to the average English town councillor, who has no idea that he is either executing or legislating. He calls his work "doing the business of the corporation," and he regards the town clerk and the engineer as equally "doing the business of the corporation." The difference between him and them is that he is an elected and unpaid representative of the burgesses, while they are the paid servants of the council and carry out the council's orders. The mayor is merely a chairman and a picturesque historical figure-head. A few years ago the council of an English borough disregarded the feelings of the mayor so far as to order the engineer to pull down an encroaching fence erected by the mayor in his private capacity, and the work was executed without difficulty or even serious friction. Mr. Ford does not apparently propose to reduce the officers to what the English councillor considers their proper place as servants of the council, but wishes to give them by formal regulations much the same sort of influence which, without any regulations, they as a matter of fact actually exercise in England upon the proceedings of the councils. He is doubtless right in attaching immense importance to this influence, but English councillors will be inclined to doubt if they would submit to it so easily if the officers were imposed upon them from without.

It is impossible to read some of the other articles in the same number without questioning whether after all American municipal government is the entire "failure" which Mr. Ford and most American writers assume it to be. Both Chicago and New York appear to be making extremely rapid progress in many respects. Reform in Great Britain is steadier, but it would be exceedingly difficult to show that it is more rapid. It may be true that there is more rascality in American municipal politics than in British, but there is probably more stupidity in British, and whatever may be the ethics of the question it is cheaper to employ a rascal who adds ten per cent. to your expenditure for his own benefit than a fool who adds fifty per cent. for nobody's benefit.

Journal des Économistes (Paris).

March, 1904.

Le vieux neuf protectionniste en Angleterre. YVES GUYOT. *Mouvement scientifique et industriel.* D. BELLET.

April.

L'agriculture devant la science. L. PASSY. *L'Exposition de Saint-Louis.* LABORER. *Le mouvement financier et commercial.* ZABLET.

May.

La fonction régulatrice des lois naturelles de la concurrence et de la valeur. G. DE MOLINARI. *Le Budget de la ville de Paris.* E. LETOURNEUR. *La Vie Américaine à Saint-Louis.* LABORER.

Revue d'Économie Politique (Paris).

February, 1904.

La théorie des crises chez les Socialistes contemporains. M. BOURGOUIN. *Sur l'interprétation économique de l'histoire.* R. DALLA VOLTA. *La réforme monétaire au Mexique.* A. SAYOUS.

March.

Quesnay avant d'être économiste. SCHELLE. [Interesting biographical details.] *Quesnay anti-mercantiliste et libre-échangiste.* A. DUBOIS. [Quesnay's claim to these attributions is vindicated.] *Le Japon industriel.* A. HAHN.

April.

L'agriculture anglaise et le Protectionisme. A. SOUCHON. *Les trusts américains.* E. A. SAYOUS. *Chronique ouvrière.* C. RIST.

In *L'Économiste Français* for April 16 and 23, M. de Foville gives an account of the monetary census which has recently been held in France. By methods which have been discussed in former numbers of the *ECONOMIC JOURNAL* (Vol. II, p. 162) he finds that the value of five-franc pieces French and foreign is about 1,800 million francs. The gold money amounts to 4,800 francs. With the addition of small change the total stock of metallic money is almost 7,000 million francs.

The *Revue Économique Internationale* has, to place at the disposal of all those whose interests lie in the study of economic questions, authentic and reliable studies on the principal problems of the day, and to centralise commercial, industrial, and financial information in such a manner as to unite each month, in a volume of about 240 pages, a summary of the important economic events of the two hemispheres. The *Revue* will be published between the 15th and 20th of each month. The articles in the numbers which we have seen are in French, accompanied with a useful summary in English. The first

number contains an article on "Economic Evolution in France," by M. Emile Levasseur; and articles on the "English Tariff Question," by Sir Vincent Caillard and Mr. Winston Churchill; on "Economic Crises," by Professor Schmoller. The second number contains *inter alia* an article on "The Cotton Industry," by C. W. Macara; the third on "The Protectionist Movement in Holland."

Jahrbücher für National Ökonomie (Jena).

February, 1904.

Grenznutzen-theorie. W. SCHARLING. [Continued from the January number and ended.] *Ueber den Einfluss des internationalen Kapitalien-verkehrs auf die Krisen.* R. LIEFMANN. *Staat und Wirtschaft in Babylon zu Hammurabis Zeit.* R. THURNWALD.

March.

Mit welcher methode wurden die Gesetze der theoretischen National Ökonomie gefunden. W. HASBACH.

Mr. N. Pinkus contributes a description of the new legislation concerning Artels—a law of liberty the Act of 1902 seems to be.

April.

Das Depositenbankwesen in Deutschland. OTTO WARSCHAUER.

The following remarks on a review by Professor Bortkiewicz which recently appeared in the *Jahrbücher* have been sent to us by Mr. A. L. Bowley:—

The first 16 pages of the pamphlet is an account of Lexis' recent book, covering nearly the same ground, but in more detail, as the notice in the *ECONOMIC JOURNAL* (XIII., p. 233). The remaining pages show Lexis' relation to the classical economists, and to modern controversy. Lexis rejects the measurement of *precision* (of an estimate) by probability (therein differing from Poisson); his idea of "the abstract man" is near Quetelet's "mean man," but is better grounded. Lexis pays attention to the (secular) variation of the mean rather than to its constancy. He grounds his theory on a probability basis, thereby differing from many modern German writers, who deny that the calculus of probabilities can be applied. Bortkiewicz holds the balance between these extremes. Statistics is more than a method of book-keeping, but less than a physical science of society. The application of probability has some practical and important applications; but in most practical statistics these deep questions have little importance, and little bearing on practical conclusions. It is noteworthy that most of the applications of probability to statistics made by English writers have no relation to this discussion of statistical co-efficients.

In the *Zeitschrift für Volkswirtschaft, &c.* (Vienna), for March, 1904, Professor Wieser writes on the value of gold and its historical changes.

The eighth of the Supplementary monographs [*Ergänzungshefte*], which at irregular intervals accompany issues of the *Zeitschrift*, consists of an ingenious attempt to apply the theory of probability to the oscillations in the net profits of farming [*Die Schwangungen der landwirtschaftlichen Reinerträge*]. The applicability of the law of error to the phenomena of industry is illustrated by tabulating the time occupied by each of 100 men and each of as many women and carts traversing the same piece of road. The variations of wages and prices having been shown to obey the law, the variability of net profits is deduced from the variabilities of the elements on which it depends (compounded according to the theory of probabilities), e.g., for a certain course of cultivation the gross profits per hectare, per three years, are, 623.95 ± 64.84 Mk.; the cost of production = 565.63 ± 15.98 ; the net profits 58.32 ± 66.79 [$= \sqrt{64.84^2 + 15.98^2}$]. Comparisons between different places and crops in respect of the steadiness of profits are thus made possible.

The ninth Supplement, on bank catastrophes in Saxony in 1901, also deserves notice.

The *Archiv für Soziale Gesetz getsung und Statistik* will be continued under the title *Archiv für Sozialwissenschaft und Sozialpolitik*, edited by Professor Werner Sombart, Professor Max Weber, and Dr. Edgar Jaffé. The first number of the new series contains the following articles:—*Die "Objektivität" sozialwissenschaftlicher und sozialpolitischer Erkenntnis.* MAX WEBER. *Versuch einer Systematik der Wirtschaftskrisen.* WERNER SOMBART. *Ammon's Gesellschaftstheorie.* FERDINAND TÖNNIES. *Die britischen Arbeiter und der zollpolitische Imperialismus.* EDUARD BERNSTEIN. *Das Irland der Gegenwart.* M. J. BONN. *Der Entwurf eines preussischen Wohnungsgesetzes, seine Vorgeschichte und seine Bedeutung.* RUDOLF EBERSTADT. *Mit 3 Plänen. Der bibliographische und literarisch-kritische Apparat der Sozialwissenschaften.* WERNER SOMBART. *Zur Genealogie der Angriffe auf das Eigentum.* LUJO BRENTANO.

In *De Economist* (La Hague) for March, 1904, Mr. N. G. Pierson writes on Banking (*Bankzaken*). There is a note on the lock-out of the diamond-workers in Antwerp.

The first volume of the *Bulletino dell' Ufficio del Lavoro*, emanating from the Italian Ministry of Agriculture, Industry, and Commerce, is before us. Information as to wages, combinations, both of men and masters, housing, labour legislation, abounds. There is a monograph on the sulphur mines in Sicily.

Giornale degli Economisti (Rome).

February, 1904.

Di alcune errate interpretazioni dell' ordine economica. E. COBSA. *Le comparazioni nelle statistiche del commercio internazionale.* F. COLETTI. [Corresponding to a chapter in the author's *Del valore statistico delle cifre del commercio internazionale.*] *L'emigrazione italiana in Francia.* L. MARCHETTI.

March.

Sulle attribuzioni di valore in assenza di formazione di prezzi di mercato. M. PANTALEONI. *Ricerche Matematiche intorno ad alcune rappresentazioni schematiche delle serie statistiche.* T. BAGNI. *I lavoratori della corporazioni Artigiana nel medio evo.* GINO ANAS. *Sul concetto del credito.* A. GRAZIANI.

April.

Un preteso difetto delle imposte sui consumi. U. GORBI. Traversing the theorem (ECONOMIC JOURNAL, 1897, p. 568) that a tax on commodities occasions a greater loss of consumers' surplus than an equal tax on income. *Sulle attribuzioni di valore.* . . . M. PANTALEONI. [Continued from last number and ended.] *Il mercato del lavoro.* S. MONTEMARTINI. *I parassiti dello Zucchero.* E. GIRETTI.

La Riforma Sociale (Turin) abounds in interesting papers, among which we may notice in the March number: *L'economia pubblica Veneziana del 1736 al 1755*, by LUIGI EINAUDI, a summary, with a specimen, of the matter dealt with by the Royal Commission appointed for the publication of the financial documents of the Republic of Venice. The summaries of articles in other journals form a valuable feature of the *Riforma*. Thus the May number of the *Riforma* reproduces from the March number of the ECONOMIC JOURNAL, in an abridged form, Prof. Ashley's arguments in favour of preferential tariffs and the, less favourable, experience of the Austro-Hungarian empire adduced by Dr. Leo Petritsch; also the article of Mr. A. E. Fletcher on the development of Canada from the Annual of the Co-operative Wholesale Societies.

NEW BOOKS

ATKINSON (MABEL). Local Government in Scotland. London: Blackwood. 1904. Pp. 441.

AYEBURY (RIGHT HON. LORD). Free Trade. London: Macmillan. 1904. Pp. x + 164. 5s.

BANKS (D. C.). *The Ethics of Work and Wealth*. London: Blackwood. 1904. Pp. 328.

BROWNE (NICOL). *The Profit and Loss of Gold Mining*. Glasgow: Campbell. 1904. 3d.

[A reprint of a chapter from the author's *Organisation and Gold-mining Business*.]

CASSEL (G.). *The Nature and Necessity of Interest*. New York: Macmillan. 1903. 8vo. Pp. 188. \$1.90.

CATALOGUE OF PARLIAMENTARY PAPERS, 1801-1900. London: P. S. King & Son. 1903. 4to. Pp. 317. \$2.00.

DRAPER (JOHN). *The Statesman and the Bishop*. London: Constable. 1904. Pp. 93.

[The Bishop of Hereford's letter on fiscal policy is criticised.]

ENSOR (R. C. K.). *Modern Socialism*. London: Imported by C. Scribner. 1904. 12mo. Pp. 388. \$1.50.

[A series of essays by prominent leaders of socialism, French, German, and English.]

EVANS (J. W.). *British Weights and Measures*. Sydney White. Pp. 52.

[A plea for maintaining the British system.]

FLUX (A. W.). *Economic Principles: An Introductory Study*. London: Methuen & Co. 1904. 8vo. Pp. 324. 7s. 6d.

GIDE (CHARLES). *Principles of Political Economy* (Second English Translation entirely retranslated). By C. W. A. Veditry. London: Heath. 1904. Pp. 705.

[The translator "has eliminated all distinctively French illustrative material," and "substituted data mainly from American sources," and—among other changes—as "some of the sections on Distribution and on Consumption seemed hardly abreast of American investigations," he has "taken the liberty here and there to add whole paragraphs and pages."]

GIFFEN (SIR ROBERT). *Economic Inquiries and Studies*. 2 vols. London: G. Bell. 1904.

[Reviewed above.]

HOBSON (J. A.). *International Trade: An Application of Economic Theory*. London: Methuen. 1904. Pp. 202.

HOLDENSTONE (GEOFFREY DE). *The Automobile Industry*. London: Methuen. 1904. Pp. 223.

JEANS (J. S.). *Canada: Resources and Possibilities*. British Iron Trade Association. 1904. Pp. xv + 298. 15s.

KELTIE (J. SCOTT). *The Statesman's Yearbook: Statistical and Historical Annual of the States of the World for the year 1904*. London: Macmillan. 1904. Pp. 1,398.

[The already high value of this annual publication is enhanced by an introductory section devoted to the British Empire, with maps and diagrams showing the condition of British trade since 1860.]

McDERMOTT (E. R.). Railways. London: Methuen. 1904. Pp. 194.

MACDONALD (J. RAMSAY). Women in the Printing Trades. With a Preface by F. Y. Edgeworth. London: P. S. King. 1904. Pp. xii, 206.

[Reviewed above.]

McGOUN (ARD.). A Revenue Tariff within the Empire. Montreal: Lovell. 1904. Pp. 76. 50 cents.

[In support of Mr. Chamberlain's policy.]

MOSELY (A. H.). Reports of the Mosely Educational Commission to the United States of America. London: Co-operative Printing Society. 1904. Pp. 400. 1s. 4d. (*Free to education authorities.*)

[On the results of the Commission see Mr. Hamilton's article in the March number of the ECONOMIC JOURNAL, 1904.]

PAGET (SIR JOHN). The Law of Banking. London: Butterworth. 1904. Pp. 364.

PALGRAVE (R. H. INGLIS). An Enquiry into the Economic Condition of the Country. London: Murray. 1904. Pp. 32.

PEASE (E. R.). The Case for Municipal Drink Trade. London: P. S. King. 1904. Pp. 166.

ROGER (HUGH). Fiscal Policy and Agriculture. (An Address delivered at Chelmsford, Essex, on 4th March, 1904, to the Eastern Counties' Dairy Farmers' Society.) Glasgow: Agricultural Publishing Co. 1904.

[Against the strangling of agricultural industry by free imports, the remedies are (1) Countervailing duties; (2) the release of the land from the burden of poor relief, police, &c.; (3) that all personal property should be rated for local purposes.]

ROSCHER (W.). The Spanish Colonial System. Translated by E. G. Bourne. New York: Henry Holt & Co. 1904. Pp. 48. 50 cents.

[Extracted from Roscher's *Kolonien, Kolonialpolitik u. Auswanderung.*]

SCHLICH (W.). Forestry in the United Kingdom. London: Bradbury. Pp. 72.

SHAW (B.). The Common Sense of Municipal Trading. London: Constable. 1904. 8vo. Pp. 120. 2s. 6d.

[A statement of the case for municipal trading.]

SMART (W.). The Return to Protection. London: Macmillan. 1904. Pp. 284.

SMITH (C. W.). Free Trade and Protection under the International Bear Operator. London: P. S. King. Pp. 256. 2s. 6d.

Trade Unionism and British Industry. London: Murray. 1904. 8vo. Pp. 244. 5s.

[A reprint of the *Times* articles on *The Crisis in British Industry*, with an introduction by E. A. Pratt.]

TOUCH (G. A.). Accountants' Investigations in connection with the Flotation and Consolidation of Businesses under the Limited Liability Acts. A Lecture delivered to the Edinburgh Chartered Accountants' Students Society. London: Waterlow. 1904. Pp. 40.

WHYTE (ADAM G.). The Electrical Industry: Lighting, Traction, and Power. London: Methuen. 1904. Pp. 200.

American Economic Association: Papers and Proceedings of the Sixteenth Annual Meeting. Part I. 1904. Pp. 244.

[After several papers related to economic problems of the South, there was also a paper on *Social Aspects of Economic Law*, by Prof. E. R. A. Seligman, and a paper on the relations between rent and interest, by Prof. A. Fetter, criticised by Prof. T. N. Carver, Prof. J. Hollander, and others.]

BARNETT (GEO. E.). A Trial Bibliography of American Trade-Union Publications. Prepared by the Economic Seminary of the Johns Hopkins University. Baltimore: Johns Hopkins Press. 1904. Pp. 112.

DAY (CLIVE). The Policy and Administration of the Dutch in Java. New York: Macmillan Co. 1904. Pp. 432.

ELLWOOD (CHARLES A.). Public Relief and Private Charity in England. (University of Missouri Studies, Vol. II., 2). Missouri: University. Pp. 96.

FISKE (A. K.). The Modern Bank. New York: Appleton. 1904. 12mo. Pp. 348. \$1.50.

[A description of the organisation and business methods of banks in the United States.]

FORD (GREY STANTON). Hanover and Prussia, 1795-1803. A Study in Neutrality. (Columbia University Press.) New York: Macmillan Co. Pp. 315.

GILMAN (N. P.). Methods of Industrial Peace. London: Macmillan. 1904. Pp. 436.

HAMILTON (J. H.). Savings and Savings Institutions. New York: Macmillan Co. 1904. Pp. 436. 10s.

LABRIOLA (A.). Essays on the Materialistic Conception of History. Translated by C. H. Kerr. Chicago: C. H. Kerr & Co. Pp. 246. \$1.

MCCORMAC (E. J.). White Servitude in Maryland, 1634-1820. Baltimore: John Hopkins Press. 1904. Pp. 112.

[An account of the "indentured servants," who bound themselves to serve a master for a certain number of years in return for free passage to America, food, clothing, and often ultimately land.]

MONTAGUE (G. H.). Trusts of To-day. New York: McClure, Phillips & Co. 1904. \$1.20.

ROBERTS (P.). Anthracite Coal Communities. New York: Macmillan. 8vo. Pp. 387. \$3.50. •

[A study of the conditions of the population in the coal regions.]

SEAGER (HENRY ROGERS). *Introduction to Economics*. New York : Holt. 1904. Pp. 565.

SHORTT (Prof. ADAM). *Imperial Preferential Trade from a Colonial Point of View*. Toronto : Mostag. 1904.

BENOIT-LÉVY. *La Cité Jardin* (avec préface par Charles Gide). Paris : Joure. Pp. 286.

[A handsome volume, illustrated with numerous photographs, the work of a young man who having visited Bournville, Port Sunlight, and the future city near Hitchin, has returned full of enthusiasm.]

BLONDEL (GEORGES). *La politique protectionniste en Angleterre un nouveau danger pour la France*. Paris : Lecoffre. Pp. 161.

CAZAMIAN. *Le roman Social en Angleterre*. Paris : Société nouvelle de librairie. Pp. 576.

[The object of this genial study is the influence of the industrial development in England on the novels of Dickens, Kingsley, Mrs. Gaskell, Trollope, and conversely the influence of this literature on English social legislation.]

COLSON. *Cours d'Économie politique*. Tome II. Paris : Guillaumin. Pp. 774.

[An important work in three volumes, of which two only have as yet appeared. The subject is studied from a purely practical point of view by a Professor of the School of Roads and Bridges.]

DE LANESSON. *La concurrence sociale et les devoirs sociaux*. Paris : Alcan. Pp. 310.

[In the first part the author attempts to show the evil effects of the struggle for life in antiquity ; in the second and longer part what the modern state has done to correct these evils, particularly in the sphere of public relief.]

FOURNIÈRE. *Les théories socialistes au XIX^e siècle de Babeuf et Proudhon*. Paris : Alcan. Pp. 416.

[An attempt to disengage the essential ideas of the French Socialists of the first half of the nineteenth century. A sympathetic exposition of their views on the association of labourers, women, &c., is given by one who is himself a leader of the moderate Socialist party.]

GIDE (CHARLES). *Les Sociétés co-opératives de consommation*. Paris : Alcan. Pp. 192.

[A descriptive study of the organisation and function of distributive societies, chiefly in France and England.]

JAY (RAOUL). *La Protection légale des travailleurs*. Paris : Larose. 1904. Pp. 238.

LANDRY. *L'intérêt de Capital*. Paris : Giard et Brière. Pp. 266.

[A study in pure economic theory, containing an unfavourable criticism of Böhm-Bawerk's theory of interest.]

LEENER (G. DE). *Les syndicats industriels en Belgique* (Études Sociales : Institut Solway). Brussels : Misch & Thron. 1904. 2nd édition. Pp. 348.

LOUIS (PAUL). *L'ouvrier devant l'État*. Paris : Alcan. Pp. 480.

[An exposition of labour legislation in different countries, and its historical development, which the author views as a preface to collectivism.]

RIVIÈRE (LOUIS). *La Terre et l'Atelier*. Jardins Ouvriers. Paris : Lecoffre. 1904. Pp. 219.

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THE ECONOMIC JOURNAL

SEPTEMBER, 1904

MEETING OF THE ROYAL ECONOMIC SOCIETY.

THE annual dinner took place on Friday, July 15th, at the Westminster Palace Hotel, the Rt. Hon. A. J. Balfour, M.P. (vice-president of the Society), in the chair. Among those present were Sir W. Anson, M.P., Sir A. Bateman, K.C.M.G., Professor S. Bauer, Mr. H. R. Beeton, Mr. E. Bond, M.P., the Rt. Hon. C. Booth, Professor S. J. Chapman, Miss Clara Collet, Major Craigie, C.B., Professor C. S. Devas, Professor F. Y. Edgeworth, the Hon. A. Elliott, M.P., Mr. Edmund Gosse, Professor W. Graham, Mr. H. Higgs, Professor T. E. Holland, K.C., Professor F. B. Jevons, Professor C. S. Loch, Mr. Frederick Macmillan, Mr. H. Samuel, M.P., Mr. Udny Yule, and Sir T. H. Elliott, K.C.B., and Professor H. S. Foxwell (hon. secretaries). Covers were laid for about seventy persons. After the toast of "Our Patron, the King," had been drunk,

Mr. Balfour proposed "The Royal Economic Society." He said,—In proposing the toast of the evening, my speech will be very brief, partly because you have the business transactions of the Society to go through, and partly because I have to return to another scene and another assembly, where political economy is more talked of than understood. (Laughter.) We have now reached, I think, the 14th or 15th year of our existence, and I am proud to think that I am one of the original members of this Society. We began our existence at a time when certainly economic science, or what passes for such, excited much less interest in the public mind than it happens to do at the present moment. We began our existence, I will not say under a cloud, but under the natural depression produced by a general neglect on the part

of active politicians for many years, and snubs of considerable severity administered to us from time to time by such authorities as Mr. Gladstone and others. I do not say that that situation was wholly a disadvantage, because, after all, privacy and detachment from public controversy is an immense advantage for any body of persons who desire to treat a scientific subject in a strictly scientific spirit.

I do not say that there are not advantages in the great publicity to which economic discussion has now reached. I do not say that times in which economic subjects have become for the moment popular, and for the moment occupy the minds of the public and the mouths of platform speakers, are not periods in which much gain may accrue to those who are prepared to treat these subjects in a strictly scientific and, to use rather an un-English word, objective spirit. But it is vain to hope that when any scientific subject comes down into the market-place it will be treated in the market-place in a strictly scientific manner. It never has been so, and it never will be so. I do not venture to balance the gains and the losses of the two methods of treatment. There are gains on both sides, and there are losses on both sides. I confess that, speaking for myself, who perhaps come across the platform side of the matter rather more than many gentlemen in this room, I rather prefer the quiet shade of scientific investigation to the rather perturbing glare to which we are now getting almost painfully accustomed. The duties which such a change of circumstances imposes upon this Society are no doubt considerable. It is, I believe, quite impossible that when a subject which has a scientific and a popular side comes up for popular discussion you should not find that that popular discussion harks back, as it were, to old and in some respects antiquated controversies. You find it in all departments of thought; you find it perhaps most in theological discussions, when the really cultivated theologian speaks and thinks in almost a different language—I do not say that in fundamentals he differs—from the language of those who have just learned or have inherited a mode of expression and a mode of thought which was fitting in the times of our fathers or grandfathers, but no longer fits the changed conditions of a changing time. It is so in every science which comes down for popular discussion, and we have to bear with it, because neither your eloquence nor mine can possibly change it. We have to submit to the fact that the popular mind insists upon catchwords, and is determined to divide opinion as opinion was divided in different circumstances and when different controversies raged. The public mind dislikes qualifications, it

regards distinctions with which it is not familiar as almost carrying with them an element of hypocrisy; and it is hard to know in those circumstances how those who treat a scientific subject in a scientific spirit ought to demean themselves. I need not say that I am not talking of myself, because, being a politician, my character is already, and has long been, entirely gone. (Laughter.) Nobody would ever consent to suppose that any utterance of mine, either in the House of Commons or on the platform, was dictated by a single-minded eye to scientific truth. I am not speaking of persons so unfortunately situated as I am, but of the Society of which we are all members; and many of these members have the good fortune, so far at all events, to have escaped being involved in strictly party or sectarian controversies.

I hope that in those circumstances they will, as far as possible in a country like our own, where everybody is naturally a politician, and where every politician naturally belongs to a party, abstain as economists from giving such expression of their views as may be intended to meet the needs of either one or other of the set of—I do not know why I should put them into two camps—say of any one of the many sections of public economic opinion which are now occupying the public arena. If a man of science once lets the public think that he is speaking not in the interests of his science, but in the interests of his party, if he once allows the view to get abroad that his expression of opinion may have its origin in his scientific views, but has a double parentage, and that the scientific views are in some sense moulded in conformity with our political differences, his whole authority from that moment will absolutely vanish; he will sink to the level of the unfortunate person who now addresses you. Let him at all costs avoid that danger. (Laughter.) It is quite true that he will in those circumstances not feel that he is to any great extent influencing the current of contemporary thought; but he will be wrong. He is influencing it if he treats a scientific subject in a scientific spirit. He may not be quoted by this or that politician, he may not figure largely in election addresses, but he will do what the great economists in the past have done—he will slowly mould public opinion; and if he aims too quickly at attaining that result he will only sacrifice what he can get for something which he cannot get, and which, if he could get, would not be worth having. After all, in so far as political economy is a science at all—and I am the last person to deny it that proud title to distinction—it must be absolutely international in its character. People talk of an English, a German, a French, or an American school of political economy. In so far as

they talk in that way they show conclusively that political economy to that extent has not yet thoroughly earned its title to a position among the sciences. There is no such thing as English physics as distinguished from German physics, or German mathematics as distinguished from French mathematics. I do not say there may not be certain schools having the impress of great teachers belonging to one or the other nationality, but *qua* science and as a science political economy must be, and is, and will be, absolutely international in its character. Let everybody who has the chance not only treat economic problems in a strictly objective spirit, but let him make it clear that that is the spirit in which he is trying to treat them. Thus, and thus only, will the student and the investigator obtain that authority over the changing forces of ordinary public opinion which it should be the proudest boast of men of science to obtain, which if they truly pursued science in a scientific spirit they have always obtained in the past, and which I cannot doubt for a moment they will always obtain in the future. I ask you to drink the toast of this scientific corporation. Those who belong to it do not all share like views upon the matters now occupying so much of public attention; but so long as we all in our respective spheres endeavour to treat the subject with the impartiality which befits the scientific investigator, we all, whatever opinions we may hold, and however much we may differ among ourselves, shall be worthy members of a scientific corporation. I couple with this toast the name of a distinguished foreign visitor, Professor Bauer, who has come here from Basel, and who represents among us to-day Continental economic investigations which perhaps in England, with the great names of Ricardo and Adam Smith behind us, we have not sufficiently taken account of. I also couple with the toast the name of a right hon. friend of mine who has in practical investigations done more than any man living, or, I think I might say, living or dead, to put upon a scientific basis those philanthropic subjects of interest which are more and more absorbing the attention of civilised countries—I mean Mr. Charles Booth. (Cheers.)

Professor Bauer, in seconding the toast, said that it was his privilege to observe for many years, in his quality of foreign correspondent, the successful development of the Royal Economic Society. The duty of men of science was not only to foster research, but to look to its consequences; and when these were known, the statesman's task was to find out on which lines the most favourable results would be obtained. If economic knowledge was indispensable for statesmanship, if it had become the motor-

power for the concerns of society, a scientific machinery had to be provided for it, and the raw produce of facts had to be stored. It was the Royal Economic Society to which they owed this great technical service. Never before its foundation had economic life been so methodically studied ; never before had information from abroad been so abundant. Notwithstanding the growth of economic science abroad, foreign students would take more and more interest in the study of economic life in this country, which they consider to be, and to remain for ever, the dear old home of independent economic thought, and of economic and social reform. To have maintained and increased the prestige of this unique position was the great merit of the leaders of the Royal Economic Society.

Mr. Booth also responded to the toast, referring, among other topics, to the impartiality of the reviews in the ECONOMIC JOURNAL.

On the proposition of Professor Edgeworth a vote of thanks was accorded to Mr. Balfour. The council and officers of the Society were afterwards elected, the byelaws were confirmed, and other business was transacted.

BRITAIN'S PLACE IN FOREIGN MARKETS

THE recent publication of the necessary returns has made it possible to continue the work some of the results of which were published in this JOURNAL in 1894 and 1899.¹ The results now offered may possess some interest in connection with current discussions, especially when combined with those of the previous articles referred to. Incidentally, it will appear that many of the trade records to which appeal is constantly made with confidence, as a means of settling points of great importance, must, in fact, be regarded as entitled to but little respect. In default of something better, use must be made of the official figures, that is to say (in some cases), the figures supplied to officials for official purposes. It appears to be worth while emphasising the liability to be misled by a too slavish trust in the precision of these figures.

The distribution of the exports of this country, the sources of its imports, has now much greater interest for those not immediately concerned than formerly. The question of the relative growth or decline in our own trade, when compared with that of Germany, or of the United States, and that of the particular directions where change is most apparent, have become fundamental in relation to proposed changes of policy. The records of the countries of destination of our exports, and of the sources from which our imports are drawn, give us one indication, and that one very ready to hand. That these records are liable to be inaccurate is well known, and involves no necessary reflection on anyone concerned. Efforts are being made, and have been made in the past, to improve the accuracy of the record. It could be made more accurate than it is if the declarations were made with greater care. Absolute accuracy is, probably, impossible, and to attain to the closest possible approximation to exactitude would entail no small amount of trouble on many who would not directly gain from the expenditure of time and trouble involved.

¹ *ECONOMIC JOURNAL*, Vol. IV. and Vol. IX. s.v. "The Commercial Supremacy of Great Britain."

When we compare the returns of different countries, relating to the sources and destinations of the goods entering into international trade, we see that, on one side or on both, the record does not agree with the fact. Take, for example, the trade between England and Austria-Hungary in the three years 1899—1901. The records of the latter country show an average of six millions sterling per annum of its imports to be derived from the United Kingdom. The English record shows less than three millions in value of exports, on the average of the three years, as being sent to Austria-Hungary, including re-exports of foreign and colonial merchandise as well as British goods. If we desire to know in what countries we find our most important markets, which of two such records are we to trust? In this case, our own returns show the foreign market at only half the importance which the returns of the foreign country indicate.

In many instances, the differences which appear, in comparisons such as that just indicated, may be connected with the differences which are natural in valuing the same goods as exports and as imports. But the particular case selected for illustration does not admit of such an explanation. The difference is too great to be assigned to the cause named. Some part of our recorded exports to the countries lying geographically between us and the market in question are, we may confidently assert, represented in the Austro-Hungarian record of imports from England. Even if that record be not accurate, the consideration of the figures put forward from that side should be added to that of our own figures in order to obtain a basis for a fair estimate of the importance of our trade relations with that country.

Another illustration may be given, bearing, in part, on the same source of error. In the March number of this JOURNAL,¹ reference was made to the disagreement between the figures put forward on the two sides of the Atlantic as to the wheat supply of England from North America. Here we are dealing with quantities, and the difference of the basis of valuation of the same goods as exports and as imports is not involved. Extending the time over which the comparison is made from three years to five, the following curious figures are obtained. In the five years from July 1, 1898, to June 30, 1903, the United States records show 341 million bushels of wheat, and 50.2 million barrels of flour as shipped to the United Kingdom. This refers to domestic products only. In the same interval of time, the English records show, as received from the United States, 346 million bushels of wheat and 49.4 million

¹ Pp. 180-181.

barrels of flour, converting hundredweights to bushels and barrels at the rate of sixty pounds of grain to the bushel, and 196 pounds of flour to the barrel. The discordance of the figures for individual years practically disappears in the five-year aggregate. But, in the same period, Canadian records show an export of over 90 million bushels of domestic wheat, and about 32 million bushels of foreign wheat, to Great Britain, while English returns credit barely 68 million bushels of imported wheat to Canada. The preceding record left no place for the Canadian wheat sent via the United States, and, if the English record shows merely the wheat, Canadian or foreign, shipped from Canadian ports to Great Britain, the Canadian, when shipped indirectly (which amounts to enough to permit of fair agreement between the figures cited on this hypothesis), has somehow failed to get any place on the English records. The alternative explanation is that the quantities are recorded with sufficient carelessness, on one side or the other, or on both sides, to account for the unexplained difference. When we turn to the records of shipments of wheat-flour a like discrepancy occurs. Canada records an export to Great Britain of three million barrels of Canadian flour in the five years, and none of foreign flour. The English returns credit nearly $5\frac{1}{4}$ million barrels of flour to Canada in the figures of importations.

At the risk of tediousness, another illustration bearing on the food supply of the United Kingdom may be given. The same period of five years being taken, the Canadian exports of cheese to Great Britain are recorded at nearly 999 million pounds. The English records show hardly 861 million pounds of cheese imported from Canada. Here the source of error is easily found. The export figures of the United States and Canada together show, in the five years, 1,145 million pounds of cheese sent to Great Britain, while the British imports from these two countries reach an aggregate of 1,154 million pounds. It seems clear that 140 million pounds of Canadian cheese has been credited to the United States in the period in question. But the source of error in a nearly related item is not so evident. To show the nature of the difficulty more clearly, the last three years, namely, July 1st, 1900, to June 30th, 1903, may be taken instead of the five years ending at the same date. We find that Canada and the United States together sent 1,188 million pounds of bacon, and 591 million pounds of hams to Great Britain in these three years. The English returns show an import, from these two countries, of 1,381 million pounds of bacon, and 588 million pounds of hams. Canadian records put the Canadian contribution to the total at 346 million pounds of bacon

and 8½ million pounds of hams. English records credit Canada with a total of 154 million pounds of bacon and 53 million pounds of hams. The careful study of these figures, and of the yearly records of which they show the rough aggregates, leaves the impression, confirmed by other information, that there is a good deal to be desired in the matter of precision in the records supplied by merchants for statistical purposes.

When we pass from records of quantity to those of value, we cannot expect to find a close approach to identity between the returns of different countries. The modes of arriving at valuations are different, and the goods naturally have different values for the purposes of the records with which we are concerned, as already explained. In some cases, however, the differences seem excessive. Thus, in the case of wheat from North America, the quantities of which have formed the subject of preceding remarks, we find the average value of the wheat, when entered as exports, is 73 cents per bushel, while it is entered as imports at a valuation of over 88½ cents per bushel, or about 6s. 1d. per cental, or 6s. 9½d. per hundredweight. The elevation of value from barely 73 to 88½ cents per bushel in passing across the Atlantic seems hardly in accordance with the boasted cheapness of modern transport. If the aggregate figures with which we have to deal conceal such incredible items as this, must we not be excessively careful how we deduce sweeping conclusions from the bare figures of trade as presented in the returns? While statisticians and economists must be thankful for the vast amount of information placed at their disposal in official documents, the information must be handled with a due appreciation of the liability to false deductions to which excessive trust in its accuracy would lead.

The figures which show the destinations of British exports are easily available. Our object in this article is to continue previous comparisons of the place in foreign markets held by our own country with that of its chief commercial rivals. In 1894,¹ tables were offered comparing the periods 1879—81, 1884—86, 1889—91. In 1899² the comparison was carried forward, and the period 1894—96 was included. We can now add the period 1899—1901, and, for convenience, the tables are made to embrace the three latest of the triennial periods named, thus connecting directly to those of the articles printed in 1894. In Table I. we have the relative place of the United Kingdom compared with that of Germany, of France, and of the United States in the principal European

¹ ECONOMIC JOURNAL, Vol. IV. pp. 457-467 and 595-605.

² *Ibid.*, Vol. IX. pp. 178-182.

TABLE I.
DISTRIBUTION OF EUROPEAN IMPORTS.

Importing Countries.	Average total imports. (million £.)			Percentage from United Kingdom.			Percentage from Germany.			Percentage from France.			Percentage from United States.		
	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.
Russia ^a	41.1	56.3	66.6 ^c	22.5	21.6	19.6	27.8	30.1	34.3	4.3	4.4	4.6	11.7	8.3	7.3
Norway.....	11.5	12.4	16.8	30.4	27.6	18.7	25.6	26.7	17.5	2.6	2.0	1.5	5.1	4.2	6.0
Sweden ^a	20.8	19.6	27.9	28.3	27.9	30.8	31.5	33.5	36.6	2.2	2.2	1.8	2.4	3.0	2.0
Denmark.....	17.5	20.3	28.4	22.2	19.8	19.4	32.9	33.5	29.1	2.6	1.9	2.5	5.8	3.7	15.9
Holland ^a	108.4	126.1	164.8	21.8	16.4	13.7	20.9	19.5	20.1	1.8	1.4	1.1	6.8	9.0	14.9
Belgium ^a	67.0	67.1	87.4	12.2	11.4	11.3	10.7	11.9	13.9	19.2	17.7	17.0	9.5	8.6	13.5
Switzerland ^a	39.3	39.0	48.1	5.1	4.9	4.6	29.3	28.5	28.3	26.9	19.0	24.0	2.9	3.9	5.0
Italy ^a	53.3	46.1	65.7	22.4	20.7	19.0	10.8	12.4	12.2	11.9	12.3	10.1	5.8 ^b	10.2 ^b	13.8
Austria-Hungary ^a	51.1 ^d	59.1	68.9	10.5	10.5	8.7	36.3	36.4	37.7	3.5	3.5	3.3	3.8	5.2	8.2
Greece ^a	5.2	4.5	6.5 ^c	26.2	26.9	22.8	4.5	8.3	8.0	8.8	7.0	8.3	2.1	3.4	2.7
Rumania.....	3.2	3.3	2.4	23.9	21.9	19.1	5.3	12.0	13.6	4.6	4.1	5.7	0.1	0.2	0.3
Bulgaria.....	15.6	14.2	11.2	26.9	20.3	17.5	30.6	27.6	27.4	9.8	8.0	6.8	0.1	0.2	0.4
Portugal ^a	9.4	8.6	12.6	31.0	28.6	31.3	13.4	13.1	14.8	14.5	10.1	8.9	11.2	14.8	14.6
Spain ^a	37.7	34.0	29.7	21.0	18.1	23.2	5.0	3.9	7.5	31.3	25.8	15.1	9.5	9.9	11.6
Total.....	481.0	510.5	636.0	18.9	16.5	15.7	20.9	21.9	23.0	10.8	8.5	7.7	6.6	7.4	10.9
Actual amount of aggregate in millions of £...				90.8	84.3	99.8	100.7	111.7	146.5	51.9	43.6	48.8	31.8	37.8	69.2

^a These countries record imports for home consumption.
^b The records of these countries include bullion and specie.
^c Average of 1898-1900.

^d 1891 only.
^e United States and Canada.
^f The figures include silver bullion.

markets. The list of countries whose returns are laid under contribution in compiling this table, includes Greece and Austria-Hungary in addition to those included in the tables of 1899, which in their turn included Bulgaria and Switzerland in addition to those included in the tables of 1894. These changes must be borne in mind in making any comparisons between the results then and now offered. The imports of the named countries of Europe have increased in ten years from 481 to 636 million pounds in value. If we add the imports of Germany, France, and the United Kingdom, the aggregate increase is from 1,295 to 1,605 millions. It is worth noting that the ratio of increase, which was 19 per cent. for the United Kingdom, was 35 per cent. for Germany, and 32 per cent. for neutral Europe, while for France it was practically nil. Is increase of imports an index of prosperity or of decline? There was a very small increase of imports, comparing the calendar years, 1899—1901 with 1889—91 in the United States, an almost negligible increase in the case of France. Germany's imports increased 35 per cent., and our own 19 per cent. Is Germany or the United States the country whose trade status we should seek to imitate? Moreover, great as is our increased reliance on imports, that of other European countries grows faster than our own. Any conclusions from the simple fact of rapid increase of imports must not be hastily drawn, that is clear.

Space will not permit of detailed comment on the direction and degree of change in the trade of the countries included in the table. Most of them show increased imports from the United States. If we add the imports of Germany, France, and the United Kingdom to those shown in the table, the aggregate imports from the United States, recorded in what is very nearly the whole of Europe, amount to £164,000,000 on the average of 1889—91, nearly £169,000,000 in 1894—96, and £269,000,000 in 1899—1901. From one-eighth of the imports of Europe, they have grown to be one-sixth. Turning to the United States records, we find that the exports to the European countries in question reached an average of £145,000,000 in 1889—91, nearly £141,000,000 in 1894—96, and are placed at £217,000,000 in 1899—1901. It will be observed that the European valuations are nearly 25 per cent. above the American valuations in the latest period, and that the difference has increased largely in the interval covered. In computing the increased payments due by Europe to America, the consideration of this margin is of importance. If it be wholly real, to whom is payment due on this account? As to the causes of the great increase of European

imports from the United States, cotton accounts for $12\frac{1}{2}$ per cent. of the increase between 1894—96 and 1899—1901, maize for 13 per cent., and wheat and wheat-flour for 14 per cent. Thus about 40 per cent. of the increase is due to these three items alone.

The striking features of the aggregate figures of European trade are, the decreasing proportion claimed by France and England, the increasing proportions and amounts claimed by Germany and the United States. A part of the reason for the great growth in the latter case has just been noted. The fact that, though the increase of British exports to Europe, as shown in the returns of the importing countries, has fallen far short of the increase assigned to Germany and the United States, yet there has been a substantial increase, is worth noting. The imports of France and Germany from the United Kingdom have also increased by £3,300,000 per annum, comparing 1899—1901 with 1889—91.

In comparing the figures of the exporting with those of the importing countries, we find that the total exports of the United Kingdom to the European countries named in the table amount to £80,100,000, while those of Germany amount to £111,000,000 on the average of 1899—1901. The excess of valuation, in the countries which import them, is about 22 per cent. over the export valuation in the case of the United Kingdom, 32 per cent. in that of Germany. A very striking particular case is that of Holland. The German records show £17,600,000 of exports of German produce to Holland. The Netherlands' returns show £33,100,000 imported for home consumption from the German Empire. The latter includes bullion, which is excluded in the former, but the amount of bullion imported by Holland is a mere trifle in comparison with these figures. The difference is all but equal to the entire amount of foreign produce exported by Germany, so that it remains unexplained. Perhaps the trade between the Hanse towns and Dutch ports may afford a part of the explanation. If we exclude the Dutch figures, the valuation of German goods as imports into neighbouring countries becomes, as might be expected, more nearly equal to their value as exports than in the case of British goods.

Our table shows that, in 1889—91, and in 1899—1901, the imports of neutral Europe were derived to the extent of a little over 57 per cent. from the four countries Germany, France, United States, and the United Kingdom. Germany and the United States had together gained 6·4 per cent., which France and the United Kingdom had lost. France lost as much in percentage as the United Kingdom did, or, roughly, one-half the trade. The

protective policy of France did not preserve her export trade in Europe, the free-trade policy of England was only less inefficient than her neighbour's protection in maintaining the old relative place as an exporting country in the markets of Europe.

Let us turn now to the small group of non-European countries whose trade returns are summarised in our *Statistical Abstract for Foreign Countries*. The data are given in Table II., the figures for the period 1894—6 having undergone some revision, in respect to the rates of conversion of South American currencies in particular, since the preparation of the tables given in the article of 1899 already alluded to. The general trend of the aggregate figures is not unlike those for the European group. The improvement in the British total is not found here, however. The British figures are, in the final period, all but equal to those of Germany, France, and the United States together. The percentage of imports derived from these four has decreased in the case of this group of countries, the decrease in the aggregate percentage being about equal to the decrease in the British percentage. Germany and the United States have gained while France has lost. The rate of growth of the total imports shown in Table II. barely reaches 25 per cent. in the ten-year interval between the initial and final period of the table, a slower rate than that of the European countries in Table I.

A curious point to note in connection with this group is that the record of imports from the United Kingdom gives a smaller total than the record of exports from the United Kingdom to those countries shows. It is smaller even than the exports of British and Irish produce returned as sent thither. The same is not true for the German trade, so that it is not merely a question of the rate of conversion adopted for the currencies of these countries. The figures for Japan and Egypt, especially the former, are mainly responsible for the deficiency, and it is noteworthy that the imports to these countries from Germany, as well as from Great Britain, are returned at figures below those of the exporting country.

The third great section of the markets of the world is found in the British Empire outside the United Kingdom. Here we find an increase in imports of 27 per cent., in spite of the small growth in the imports of India and the slow recovery of Australia from its financial troubles and the long continued drought. In the case of each of the first three countries in the list in Table III., the imports from Great Britain have decreased in the ten year interval covered by the table. A smaller decrease than in these instances, but still a decrease, is also recorded in the case of Canada.

TABLE II.

Importing countries.	Average total imports. (million £.)		Percentage from United Kingdom.		Percentage from Germany.		Percentage from France.		Percentage from United States.	
	1888-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.
	1888-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.
Egypt ^a	8.3	9.4	38.5	33.6	38.1	1899-1901.	1889-91.	1894-96.	1889-91.	1894-96.
Japan.....	11.4	15.2	34.5	34.6	21.3	8.0	2.7	3.3	10.0	11.6
Argentina ^a	24.6	20.0	38.7	39.1	34.5	9.2	8.8	9.4	4.8	4.0
Uruguay ^a	6.1	5.2	28.1	31.0	26.4	9.2	11.3	13.5	15.7	10.4
Chile ^a	19.7	10.4	43.3	44.4	36.6	21.6	25.2	26.3	9.3	8.6
Total.....	64.1	60.2	37.8	38.1	30.4	10.6	11.9	11.7	11.6	7.6
Actual amount of aggregate in millions of £...			24.3	22.9	24.0	6.8	7.2	9.3	7.4	4.6
									4.5	5.1
									4.4	9.7

TABLE III.

Importing countries.	Average total imports. (million £.)		Percentage from United Kingdom.		Percentage from Germany.		Percentage from France.		Percentage from United States.	
	1888-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.
	1888-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.	1889-91.	1894-96.
India ^a	65.2	49.9	69.2	71.4	66.7	1.0	2.3	2.4	1.3	1.2
Strait Settlements ^a	22.7	21.6	29.6	11.7	10.4	1.4	1.6	2.1	1.0	0.5
Australia ^a	36.8	24.9	39.3	70.4	60.8	3.4	4.5	6.4	0.8	0.3
New Zealand ^a	6.4	6.8	10.4	62.3	60.6	0.7	1.2	1.7	0.1	0.2
South Africa ^a	14.1	21.3	28.8	71.5	64.6	1.0	3.6	3.2	0.2	0.3
Canada ^a	23.0	22.5	35.3	31.3	24.2	3.4	5.0	4.4	2.1	2.4
Other British possessions ^a	16.3	15.7	21.9	43.2	38.5	1.6	2.4	2.6	2.7	2.2
Total.....	184.5	162.7	234.6	54.7	49.1	20.0	3.1	3.4	1.3	1.2
Actual amount of aggregate in millions of £...			107.4	88.9	115.1	3.7	5.0	8.0	2.4	1.9
									17.8	3.0
									18.3	34.0

^a These countries record imports for home consumption.^b The records of these countries include bullion and specie.^c The figures include silver bullion.^d The figures are of over-sea trade only.^e The figures exclude inter-state trade.^f Percentages from America.

The imports of this group from other parts of the British Empire averaged £27,600,000 in 1889—91, fell to £21,800,000 in 1894—6, and rose to £37,850,000 in the third period covered by the table. Thus, of the £50,100,000 increase in imports in the ten years, £7,750,000 were obtained from the United Kingdom, and £10,250,000 from other parts of the Empire. The United States supplied Canada, in the years 1899—1901, with goods to double the value of the amount supplied in 1889—91, and nearly the whole of the growth took place in the second half of the decade. Australia, New Zealand, and South Africa together increased their imports from the United States by £5,500,000, or over 170 per cent. of the amount imported from that source in 1889—91. The two last-named increased their imports from Great Britain by £9,000,000 in the same interval, Australia's takings falling off by £1,500,000. The imports of India from Germany have increased by nearly a million sterling in the ten years, and those of Australia by little short of the same amount. Canada's takings from Germany have doubled in the interval. The miscellaneous group at the end of the table increased its imports from the United States by half a million sterling, from Germany by £300,000, and from Great Britain by £1,700,000.

The imports of the group from all countries outside the Empire has increased from an average of £49,500,000 in 1889—91 to £81,500,000 in 1899—1901, or from 26·8 per cent. to 34·8 per cent. of the whole. Two-thirds of this increase is from the three countries dealt with in our table, though the imports from them are but 55 per cent. of imports from all foreign countries in the latest period dealt with. It is worth noting that, in comparing Table III. and Table I., the increase in the aggregate imports from the United Kingdom in the ten years is nearly ten per cent. for the European countries, and little over seven per cent. for British Possessions, the aggregates of the two groups being sufficiently nearly equal to give point to the comparison. Whether the fact, that the increase in the quantity and value of British coal exported to Europe covers the greater part of the increase of Europe's buyings from the United Kingdom, deprives the comparison of force, or gives it special point, will depend on the way in which our coal exports are viewed. The Colonies are in less need of British coal than our European neighbours, and hence their increased purchases of British goods are not covered by the one item, coal, as in the other case.

If we now assemble the final aggregates of the three preceding tables, and compare the totals with the corresponding aggregates

of exports from the four exporting countries, we obtain the results shown in Table IV. The figures of this table differ from those of corresponding tables in earlier articles, not only in the fact of including a larger number of European countries, but also in that the figures for the United States apply in this case to calendar years, not to the fiscal year from July to June. The term *Neutrals* is used to designate the countries named in preceding tables other than the four :—Germany, France, the United States, and the United Kingdom. The first division of the table shows the average imports of the countries specified from all sources. The second division shows the portion of these imports derived from the four great commercial nations whose trade status is being

TABLE IV.

Importing countries.	Average imports. (Million £.)			Imports from Germany, France, U.S.A., and U.K. (Million £.)			Exports to countries specified of Germany and France, U.S.A., and U.K. (Million £.)		
	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.
Neutrals.....	729.6	733.4	949.7	449.5	430.6	572.6	356.7	339.2	475.6
United Kingdom ^a	427.9	422.3	510.0	170.9	168.4	217.1	166.5	159.1	208.9
United States ^a ...	165.2	147.9	171.8	71.7	59.6	66.2	74.4	62.0	66.9
France ^b	180.3	151.6	181.0	52.3	44.5	59.3	48.2	40.0	52.1
Germany ^b	205.5	206.1	277.8	62.2	62.1	95.1	62.5	65.7	92.4
Aggregate.....	1,708.5	1,661.3	2,090.3	806.6	765.2	1,010.3	708.3	666.0	895.9

^a The figures of these countries relate to the total trade.

^b The figures of these countries relate to the *special* trade.

examined. The third division shows the amount returned by these four as exported to the respective countries whose imports are shown in the first two divisions of the table. A noteworthy feature of the comparison of the last two divisions of this table is that, in the case of the United States, the imports recorded fell short, especially in the earlier years, of the valuation set on what are practically the same goods when ranked as exports. The mode of valuation of the United States imports should make the two sets of figures identical. It is not easy to assign satisfactory reasons for the discrepancy, which shall also account for the practical disappearance of the deviation between the two sets of figures in the final period. In this connection it may be observed that there are some striking instances in which the recorded aggregate of goods declared at U. S. consulates for export to the United States, as

shown in U. S. official compilations,¹ differs substantially from the recorded import of goods from the countries in which the declarations in question are made. The figures shown in our table for Germany are, in part, subject to a corresponding comment. Here, however, it is easier to account for the apparent discrepancy. The imports of Germany, shown in the table, are imports for home consumption, while the exports to Germany may, probably, include goods destined to be sent on to some other country. Further, the inclusion, since 1897, of the *Veredelungsverkehr* in the figures of German special trade may account for the change in the relation of the figures of the second and third divisions of the table in the final period.

To show in greater detail some of the relations which suggest food for thought in Table IV., a final table is given, replacing more cumbrous tabulations, with more minute details, given in previous articles on this subject. Table V. aims at showing the degree in which we have been able to follow up the foreign trade of the United Kingdom, and its chief commercial rivals. The exports of each of the four rival countries are given, the amounts sent to the particular markets covered by previous tables being added in the second and third divisions of the table. Against each country is shown, in a different type, the recorded aggregate of imports from it by the countries covered by the export figures lying immediately above these figures of imports. In the cases of the United Kingdom and the United States, the figures of the last two tables are those of the total imports and exports, re-exports being included in each case. The French and German figures are those of the *special* trade of these countries. To obtain the German *general* exports, the special export totals need to be increased by about one-seventh. For France there must be added from 30 to 35 per cent. to the *special* exports to obtain the *general* exports. Our *Statistical Abstract for Foreign Countries* gives the distribution only of the *special* trade of these countries. Returns of the United States are available,² and have been used to show the distribution of the total foreign trade for calendar years. The purposes of our tables seemed to be better served by these than by the *special* trade figures of the *Statistical Abstract for Foreign Countries*.

The lack of correspondence between figures in Tables IV. and V., which ought to correspond may, in part, be assigned to the use

¹ Cf. *Monthly Summary of Commerce and Finance of the United States* for December, 1908.

² Cf. *Monthly Summary of Commerce and Finance of the United States* for the month of December in 1898 and subsequent years.

of figures of *special* imports and exports for some totals, those of *general* imports and exports for others. To the inaccurate information available in regard to destinations and origins of shipments must be assigned the blame for part of the lack of correspondence, perhaps the greater part.

The inclusion of ships in the export totals of the United Kingdom and Germany in the final period for which figures are given, and the matter of the German *Veredelungsverkehr* already noted, may account for the differences in the relative increase in the trade figures, over the ten-year interval, for these countries, when the trade is viewed from the one or the other end. Thus the British exports to Neutrals increased from 174·3 millions to

TABLE V.

Exporting countries.	Average exports. (Million £.)			Exports to (and corresponding imports of) enumerated Neutrals. (Million £.)			Exports to (and corresponding imports of) Rivals. (Million £.)		
	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.
United Kingdom ^a	317·7	285·3	343·9	174·3 <i>222·5</i>	157·4 <i>196·1</i>	201·7 <i>239·0</i>	98·2 <i>91·3</i>	87·8 <i>76·9</i>	97·6 <i>88·1</i>
United States ^a	181·9	182·0	290·0	40·0 <i>54·1</i>	46·5 <i>60·5</i>	89·0 <i>112·9</i>	123·4 <i>132·5</i>	116·5 <i>130·3</i>	170·2 <i>199·9</i>
France ^b	147·0	181·4	163·7	58·5 <i>61·7</i>	46·0 <i>50·1</i>	57·4 <i>56·9</i>	65·6 <i>73·4</i>	61·8 <i>70·2</i>	77·2 <i>82·5</i>
Germany ^b	161·2	163·4	220·8	83·9 <i>111·2</i>	89·4 <i>123·9</i>	127·6 <i>163·8</i>	64·4 <i>59·9</i>	60·6 <i>56·7</i>	75·2 <i>67·1</i>

^a The export figures relate to total exports of merchandise.

^b The export figures relate to exports of domestic produce.

The figures in italic type are derived from the records of the importing countries.

201·7 millions. The imports of Neutrals from Britain are shown as increasing from 222·5 millions to 239 millions. An increase in the figure of British exports to the enumerated Neutrals of about 14 millions at the earlier date would be required to make the increase similar in proportion in the two records. If we take the recorded imports of rivals, and exports to them, from the United Kingdom, a further 3 millions would need to be added to the record of the latter in 1889-91 to make the indication of increase similar, as viewed from the British end, to that seen at the other end. At this rate, the total exports of the United Kingdom in 1889-91 would average 15 to 20 millions more than they did, to correspond with the movement shown in the figures recorded on the other side.

Now a figure of this magnitude is far beyond what can be accounted for by the known changes in the mode of compiling the

record. Possibly Mr. Ellinger's statement, that the custom of returning c.i.f. values for exports has grown largely in recent years, may afford an explanation. More probably, the valuations cannot be relied on to be accurate to the degree which would justify such a calculation as the foregoing. Apart, too, from changes in freights and other charges bearing on transportation of goods, the degree in which the countries, to which we send our exports directly, retain those exports, or send them on to ultimate destinations in other countries, must affect the figures, and a change in the course of the ten years in these matters may be indicated.

In some degree, the figures standing to Germany's credit in Table V. are subject to similar remarks. The fact that her rivals record a receipt of less than her records show to be sent, while for the Neutrals the difference in the opposite direction is of exaggerated dimensions, is noteworthy. Something of a like nature occurs also with the United States. Perhaps part of what is recorded in the U. S. as exported to the United Kingdom, or to Germany, may be so exported in transit only, and be recorded as imports, not in the countries of first destination at all, but in some of our group of Neutrals. Such an explanation merely repeats what has been otherwise stated above, and would be in accord with the figures shown.

In the case of France, an exaggeration of the values of exports in the latest period seems to be strongly suggested by the comparison of the figures of Table V. The relatively low percentage of French exports accounted for in the second and third divisions of the table, and the decrease in this percentage in the interval covered by the table, call for attention. The most obvious explanation is found in the growth of French exports to French colonies and possessions, none of which are covered by the Neutrals of our tables. These amounted to about 19½ millions in the last of our three periods, and were about 40 per cent. less in the first of them. Two-thirds of the French exports not included in either of the second and third divisions of Table V. are thus represented by French colonial trade.

The aggregates of the figures in Table V. indicate that the exports of the four countries classed as rivals have grown from an average of a little over £800,000,000 in 1889—91 to somewhat over £1,000,000,000 in 1899—1901. The countries whose records of the sources of their imports are utilised in our tables, account for fully seven-eighths of these gigantic totals. The aggregate imports, as given in Table IV., have increased from £1,700,000,000 to £2,100,000,000 in the ten-year interval, and the share of these

attributed to the four rivals in question has slightly increased, namely, from 47 to 48 per cent. The indications are that the part of the world's trade under examination affords as satisfactory an index of the general progress of the entire foreign trade of the world as we could hope to secure. It is a somewhat remarkable fact that the exchanges between the rest of the world and our group of rivals should be fully maintained in their proportion to the entire foreign trade coming under review.

One further piece of tabulation may be added, inasmuch as it seems desirable to include here a record of the apparent course of

TABLE VI.
DISTRIBUTION OF BRITISH EXPORT TRADE.

Importing countries.	Average imports from United Kingdom of countries specified. (Million £.)			Average exports of United Kingdom to countries specified. (Million £.):		
	1889-91.	1894-96.	1899-1901.	1889-91.	1894-96.	1899-1901.
Germany	30.6	26.7	32.4	30.6	32.0	36.9
France	23.4	19.8	24.9	23.8	20.2	24.0
United States	37.8	30.4	30.8	43.8	35.6	36.7
Total Rivals	91.8	76.9	88.1	98.2	87.8	97.6
British possessions dealt with in previous tables	107.4	88.9	115.1	86.1	75.7	95.0
All other British possessions ...	—	—	—	6.8	6.1	8.1
Other countries named in previous tables	115.1	107.2	123.8	88.2	81.7	106.7
All other countries	—	—	—	38.4	34.0	36.5
All countries dealt with in previous tables	313.8	273.0	327.0	272.5	245.2	299.3
All countries	—	—	—	317.7	285.8	343.9

the development of British foreign commerce. Table VI. is prepared with this in view. It compares the British record of British exports (including re-exports) with that afforded by the records of the importing countries, and, further, compares the part of the British exports thus examined with the total of British exports to various groups of destinations. The section in which the correspondence between the rate of progress (or the opposite), shown by the figures of the two divisions of our table, is greatest, is the trade with the Empire. Next comes the trade with the three

countries designated Rivals, and last the trade with the rest of the world. It is to be observed that, while the exports to unenumerated British Possessions have increased in the ten-year interval, those to unenumerated "other countries" have somewhat fallen off. This may be due, in part, to the transfer of some regions from the latter to the former category in the interval, as has happened with some parts of the African continent, for example.

The showing of the tables is, clearly, that the market for British exports in Germany, France, and the United States, though narrowed by the tariff policy of the last of the three, is still of great importance, and it is expansive in some degree, except in the case of the United States. The proportion of their total imports which the other countries outside the Empire take from us is greater than that recorded for our Rivals, but far less than the Empire takes. In all three cases the trade done by other countries as a whole has grown faster than their trade with us. Though this may seem discouraging at first sight, it cannot be regarded as anything but natural. There may be remedies, but their discussion will not be attempted here.

A. W. FLUX.

ECONOMIC THEORY AND FISCAL POLICY¹

“THE argument for free trade generally, as expounded by the great authorities from Adam Smith downwards, appears to me complete both theoretically and experimentally.”² When I first saw this sentence in the Preface to the new edition of the collected writings of perhaps the most prominent of living English statisticians, I was inclined to think that I had read incorrectly what was written. The declaration that an argument was “complete” would in any case seem to belong to the unqualified assertions of the political platform rather than to the measured utterances of the scientific study; but, when the epithet was applied to the theoretical “argument for free trade generally, as expounded by the great authorities from Adam Smith downwards,” the robust convictions of the author might indeed extort my admiration, but his hardihood challenged my dissent. For I could not but reflect that some recent exposition, contained in treatises by economists whom I was accustomed to regard as recognised authorities, had taken the shape of critical examination of the general argument for Free Trade, and of doubt of particular reasons for that fiscal policy put forward even in the *Wealth of Nations*. To set authority against authority is proverbially odious, and seldom satisfactory; and to arrange economists, whether ancient or modern, in their grades of the hierarchy of the major and the minor prophets, is a task as arduous and ungrateful, as from the nature of the case it must be largely guided by personal predilection or belief. I shall not venture to determine the respective weight which should be accorded, for example, to Henry Sidgwick, as compared with Malthus or Ricardo, or to living writers contrasted with those who wrote in bygone times. But I venture to maintain, in opposition to Sir Robert Giffen, that an observant student could find in the

¹ A Paper read before the Economic Science and Statistics Section of the British Association at Cambridge, in August, 1904.

² Cf. “Economic Inquiries and Studies,” by Sir Robert Giffen, p. viii.

teaching of Adam Smith himself, and even more readily in that of his successors—I will not, I repeat, try to select the “great” from this distinguished company—sufficient reasons for declaring that, whatever may be the case “experimentally,” “theoretically” at least the general argument for Free Trade cannot be pronounced “complete” in the ordinary acceptance of that word. Indeed, I should be lacking in the candour necessary to fair discussion if I did not add that to me this statement seems as hard a saying as the avowal, which comes strangely from the lips of so expert a controversialist, that it has “always” been his aim in the essays reprinted in these volumes to “avoid controversy.”

Yet, when I turn from this Preface to another book recently published by the occupant of an Economic Chair in one of our Universities, and note some utterances contained in its pages, my unwillingness to agree does not grow less pronounced, nor does my hope of free discussion of the theoretical issues raised in the present controversy become more sanguine. For the mental attitude which could dictate the sentences I shall quote seems, I frankly own, incompatible with fair examination of unsettled questions. So far as I can judge, the author of these declarations must have resolved to treat the problem he is handling as a *chose jugée* before he addressed himself here to its investigation. “Free Trade,” I am told,¹ “is the economist’s policy. From his point of view it seems as if there were no question between Protection and Free Trade.” “No continental economist,”² it is suggested to me, “would hesitate to say that Free Trade is the policy for us, and that nothing but Free Trade would have given us the position we hold.” “Economists in America,” I am informed,³ “are in rather a difficult position”; for, “if they speak in defence of Protection, they lose their scientific reputation,” while, “if they speak fearlessly against it, even if they escape being turned out of their Universities, they lose their influence with the people.” Such passages as these, like the dictum of Sir Robert Giffen, resound with the clamorous echoes of political turmoil, and do not breathe the gentler utterances of academic disputation. But they are extracts, not from Mr. Asquith’s speeches on “Trade and the Empire,” but from Professor Smart’s “Return to Protection.” Once more, in the interests of controversial frankness, I must add that, when I read these sentences, they did not merely stir my dissent, but filled me with amazement. Was this, I asked, a literal representation of

¹ Cf. “The Return to Protection,” by William Smart, p. 47.

² *Ibid.*, p. 49. 3; *Ibid.*, p. 71.

British economic opinion at the beginning of the twentieth century? Did Continental economists speak with this surprising unanimity on a vexed question? Were American professors really placed in this hard predicament? I could not but reply that, if it were so, then I had misunderstood the drift of recent theorising in this country, in the United States, and on the Continent of Europe. I was ready to admit that to some extent I might be influenced by bias; but I could not believe, on the strength of these categorical assertions, that I had so entirely misread the books it had been my business to peruse.

If indeed a controversy, involving so many and such difficult and varied issues, political and economic, were closed for economists, as well as for the public, by an appeal to authority, submission to such despotism would, I am convinced, augur ill for economic study. Even if by means like these a temporary triumph had been won for Economics on the shifting battle-ground of politics, the victory would have been dearly bought. An *odium theologicum* has made its appearance before now in economic disputation; but its influence has not been wholesome. It is recognised that distinctions between the "orthodox" and the "unorthodox" have hindered theological inquiry, and a disinterested zeal for truth has counselled their abandonment. The disuse in our economic debates of the epithets "sound" and "unsound," so confidently invoked, and so boldly misapplied, would, I am sure, be no less salutary. They might now with advantage be relegated to the limbo of those "dark ages" when Economics was known as the "dismal science." At any rate, to pronounce a theory "complete" seems tantamount to a confession that economic knowledge is unprogressive in the region where that theory is enthroned. A flat refusal to revise accepted views is a gratuitous adoption of a badge of servitude. It is not too much to say that Economics and Statistics will have forfeited their just claim to the occupation of a section of the British Association for the Advancement of Science when they parade such dogmatic articles of faith. In this invigorating environment we may hope that our discussions will be immune from the deadening influence of obscurantism; and here arguments should be appreciated for their force and pertinence, and not appraised by reference to authority, greater or less great.

But my dissent from Sir Robert Giffen and Professor Smart is not limited to the undue influence which, as I think, they would give to authority in what still seems to me a debatable question. I go further; for I dispute their interpretation of the oracle. It

has been observed as a feature of the present controversy that economists of an historical persuasion have, with few exceptions, borne no share in the *non possumus* with which their colleagues met the suggestion of Colonial preference. The fact may merit some attention in weighing the approval or disapprobation with which such an Imperial fiscal policy has been regarded by the different teachers and professors of the Mother Country. The divergence of opinion, and contrast of attitude, disclosed have some significance. For we might have imagined—and our surmise would not have proved erroneous—that economic historians would be more likely than those whose interests had not drawn them to the close scrutiny of recorded facts, to appreciate the need for the qualification of a theory, and the adaptation of a policy, when circumstances to which their original acceptance had been due were altered or transformed. The direction of such change may be mistaken, and its extent misjudged, by historians as by others; but the instinct and the habit of the trained inquirer into history set him on his guard against the pretensions of a theory, and accustom him to scrutinise the claims of a policy, to wide or general or universal applicability. He is prepared for a change in the environment of fact. He is ready for a revision of opinions formed therein.

Again, if I may be permitted to indicate my own position, I must confess that the publication in August last of a manifesto, which attracted passing notice, from professors and teachers of Economics, in which Mr. Chamberlain's supposed scheme was summarily dismissed from the consideration of the signatories, caused in my mind a feeling of disquietude. It made me consider whether there was any use in continuing that study of theory, in which for some years I had mainly been engaged, and whether, after all, history was not the more safe and stimulating, as it was the more actual and comprehensive, region of inquiry. For the conclusion, to which abstract theory conducted the signers of that pronouncement on a political problem of great delicacy and vital moment, appeared to me to be but a barren negation; and economic history, I thought, by contrast, was ready to supply the needed stimulus to action, and to offer the more grateful prospect of positive achievement. I was tolerably sure that it could furnish more useful and abundant hints for practical reform. I was fairly certain that it could indicate more encouraging directions for promoting the closer union of the Empire than were opened by a mere complacent acquiescence in the *status quo*, and an unwillingness to interfere with the aimless drifting of affairs. Theorising, it seemed too true, might issue at the best in disillusionment; at the

worst it would lead to inertia or despair. I mention this mis-giving, which I have not exaggerated, because I have no wish to disguise the "personal equation" which may be found in my treatment of the "riddle of the tariff"; and I must add that I have little doubt that one enduring consequence of the present fiscal controversy will be an accession of influence to those who place the investigation of economic history above elaboration of the instruments of mathematical analysis.

On some grounds I regret, though on others I may welcome, this result. Perhaps, indeed, apart from the special circumstances of the immediate moment, it is a necessary outcome of the spirit of our age, and of newer tendencies of thought. At any rate, however, further reflection on the theoretical aspect of the particular matter in dispute reassured me. I regained, in some measure at least, my former confidence in the worth and utility of theory. For I could find abundant and sufficient reasons for questioning the statement, to which wide currency is given in popular discussion, and countenance is lent by professed economists, that "Free Trade is the economist's policy," and professors, who show favour to Protection, imperil their "scientific reputation." I do not hesitate to challenge the absolute language in which it has been expressed. I do not shrink from a denial of the assertion that the general "argument for Free Trade," as "expounded" "from Adam Smith downwards," is "theoretically" "complete"; and the moral, which I draw from my conception of present theories on international trade and value, is that the consideration of proposals for a change in our recent fiscal policy, in order to promote Imperial consolidation, may be freed from the unnecessary incumbrance of a supposed inevitable conflict with the expert knowledge of informed economists. As I interpret the theorising of our day, the debate between Protection and Free Trade is not closed, but open.¹ Nor does it seem to me an exaggeration or perversion of the facts to say that before the fiscal controversy became acute the scales of theoretical reasoning had shown a tendency to incline against, and not in favour of, unqualified Free Trade. "Convinced" Free Traders may be found in tolerable numbers in the ranks of economic theorists, as they may be discovered no less readily among political partisans; but in most cases their convictions appear to me to rest more largely on practical objections to the risk of another fiscal policy, than on the

¹ Cf. An Article by the present writer on "Free Trade and Protection," in the *Economic Journal*, in September, 1902.

reasoning or conclusions of the fresher portion of their abstract theory. For the time-worn foundations, on which Free Trade seemed once to be built securely, have been undermined by persistent criticism. Vigilant scouting and bold assault, pressed home, have shaken those ancient fortifications in which an unquestioning confidence was felt. Fissures, which can no longer be concealed, have appeared in what presented formerly to outward gaze the unbroken front of impregnable defences. And this injury has been wrought, not so much by men of business engaged in the rough tumble of affairs, as by scientific theorists, pondering in the quietude of their studies. If such misleading epithets as orthodox and unorthodox are still to be applied to our economic discussions, signs of heterodoxy in connection with Free Trade may be found in the responsible confessions of the elect.

This position may, I think, be supported both by an examination of the particular theories of international trade and value, and by the more general considerations to which attention will here be mainly directed. It is not necessary to lay exclusive stress upon an argument advanced in the present controversy which nevertheless seems to me relevant and forcible. That contention treats our fiscal policy of Free Trade as the surviving article of a general faith in *laissez-faire*, which has lost its former hold on popular opinion, and been discarded largely as a maxim of administration. I am ready to admit that it may be possible, though it is not easy, to fix a clear and permanent distinction between the desirability of allowing traders to make bargains for the exchange of goods, independently of suggestion or control by the governments of the States to which they may belong, and the necessity of authoritative interference in contracts for the purchase and supply of services by employers and employed. It may, at any rate, be granted that a departure from *laissez-faire* in factory legislation does not by itself require or recommend or justify an interference with Free Trade. Or perhaps an alternative and more convincing line of reasoning may be sought in the bold dismissal of any universal general rule, and in the frank appeal to experience in each particular case, as it arises.

But those who use this reasonable expedient, expose themselves to the rejoinder that in the present realities of English fiscal practice that complete neutrality of the government which is the aim of "taxation for revenue alone" has been shown to be hardly feasible, and that similarly a close inspection of the past history of English fiscal change would suggest that the financiers of the nineteenth century—Huskisson, Peel, and Gladstone—were as much concerned

to remove particular duties which, in fact, had proved vexatious and unfruitful, as to achieve the realisation of an universal theory of Free Trade. The dual aim of rendering the tariff more simple and effective for its purpose of raising revenue, and of purging it of Protectionist suspicion, may indeed have been present to their minds; but they were practical financiers first, and economic theorists in a subordinate degree; and, had the objects clashed instead of harmonising, there can be little doubt which of the two would have been foregone to meet the requirements of the other. Looking back, at any rate, on these notable reforms from the standpoint of subsequent experience, shrewd observers,¹ whose fiscal creed would not incline them in any such direction, have hinted that the basis of our taxation may have been unduly narrowed, and may prove inadequate to support with security and ease the larger superstructure of an increased expenditure since raised upon it. In other words, the simplification of the English tariff may have been pushed beyond a point at which it can be permanently retained.

But this enlightened commentary on the financial changes of the nineteenth century suggests the further reflection that in their abandonment of the Mercantile System, which they found existing in their day, Huskisson, Peel, and Gladstone may have lent their skill to a rejection of the stimulus or restraint of government in international trade which would now appear excessive to their practical sagacity were they alive. For it fails to accord with the new demands of the fresh circumstances and altered feelings of the age in which we live. At any rate, the trust reposed in individual liberty has weakened, while the occasions for the interference of the State have grown more frequent and abundant. The Mercantile System was an embodiment, it might be accompanied by burdensome incumbrances, of faith in the conscious guidance and encouragement of industry and commerce by governmental action, while Free Trade was in effect a plain avowal of an unreserved belief in the sufficiency of *laissez-faire* in trading matters; and, if an earlier experience revealed the danger attaching to the former creed, later events have similarly disclosed shortcomings in the latter.

For, whatever differences may be drawn between Free Trade and Factory Legislation, it is an easy task to prove that a fiscal policy, which rests on the bestowal of entire freedom on individual traders, is open to the same broad criticism as that which has been advanced successfully against the general principles of *laissez-faire*.

¹ Cf. Sir Robert Giffen in the Supplementary Chapter to the new Edition of Lord Farrer's *Stats in Relation to Trade*, pp. 24 and 25, and elsewhere.

That criticism ¹ has pointed a deprecating finger to the absence of any certain guarantee of an identity of interests between the present and the future, or between those of the individual trader and those of the community of which he is a member. In discussions to-day on Free Trade and Protection these chasms are not discerned, or are ignored, just as they were unnoticed or concealed in the advocacy of *laissez-faire* as the saving rule to which legislators should conform administrative action. But the probability that the individual trader, acting in unfettered freedom, may imperil the permanent commercial or political welfare of his nation, by the fixed unwavering pursuit of his immediate business interest, is no less actual than the chance is serious that he may fail to discern his future or present advantage, or lack the energy or power to secure it. The existence of pitfalls such as these is fatal to the completeness of the general theoretical argument for Free Trade, and their detection has in the main been the work of a generation since the days of Adam Smith, although that sane, acute economist recognised exceptions, not merely to his general ideal of "natural liberty," but to its particular embodiment in Free Trade.

Competition, or free enterprise, has no doubt been usually taken as the working hypothesis of a scheme of economic theory; although recent speculation has tended to insist by contrast on regularity of action, and on possibility of comparison and measurement, as the essential conditions of investigation by the economic organon, and benevolent conduct, if it be regular, is accordingly now recognised as being as suitable an object for inquiry as self-interest, and money, though a convenient, is not regarded as the only, means of measuring the force of motives. Yet in its origin a separation of that study of the relations between cause and effect in man's actions in connection with wealth, in which a theoretical science of economics took its birth, from that practical art of finance with which it had previously been merged, became possible when governments withdrew from their previous pervasive regulation of trade, and left opportunity and room for individual liberty to play an active voluntary part. And, similarly, to-day, the larger portion of a systematic treatise on economic principles is busied with an account of the competition of individuals, freely bargaining and exchanging with one another. Greater stress, indeed, is now laid on the friction which delays or hinders competition. More importance is attached to collective, as contrasted with individual, action. But in the general conception usually formed and com-

¹ Cf. An Article by the present writer in the *Fortnightly Review*, for November, 1903, on "The Economic Prejudice against Tariff Reform."

monly accepted of those primary assumptions and those fundamental conditions with which the reasoning of a systematic exposition of economic principles begins, individual liberty is regarded as the ordinary rule, and governmental interference is treated as the rare exception; and from this point of view Free Trade can, with some excuse, be termed "the economist's policy."

The reason, however, should not be forgotten, or misunderstanding must arise. It is not because the economist deliberately bestows on free trading his entire approbation as a practical expedient, but because he finds that the notion of free exchanging between individual bargainers is a convenient hypothesis with which to start and conduct his reasoning processes. The assumption has, no doubt, won the prestige which attaches to inherited and confirmed tradition. It has exerted the large influence which naturally follows from authoritative adoption and extensive use. And yet, although its dexterous employment, when neatly handled by competent theorists, may serve to disclose gaps in the reasoning, or to detect slips in the argument, by which the illogical and uninstructed reach their conclusions on international trade, as on other matters, it is not itself immune from the curious influence of a subtle illusion. It is liable to the misapprehension which attends assumptions. For, because the refined theories of international trade and value have been raised on the supposition of traders freely exchanging their commodities, a strict logic does not warrant, for that reason alone, the conclusion that Free Trade is the practical policy which Economics recommends. So powerful, however, is the sway of that with which men have grown familiar by habitual use and long acquaintance, that this conclusion is often drawn gratuitously both by economists and by those who have gained their knowledge of economics from vague external impression, rather than from close independent study. At least no further premisses appear explicitly in their reasoning processes. The assumption, on which a theory is built, is thus treated as if its own truth to fact were demonstrated by the convenience of the theory based upon it; and the yet more hazardous corollary of practical expedience is deduced from theoretical usefulness. The former process involves the risk attaching to a *petitio principii*; the latter is seductive rather than secure. To this subtle combination, perhaps unconsciously rather than consciously effected, the vulgar notions, expressed in the absolute form, that the "general argument for Free Trade is complete, theoretically," and that "Free Trade is the economist's policy" are partly due. But their claim to exactitude has rarely been submitted to the test

of a searching investigation of the foundation on which they really rest, and the experiment, I think, would yield some results which were not expected.

Of recent developments of economic theory the large prominence given to marginal factors has been among the most conspicuous. A determining influence has been ascribed in the central theory of value to the marginal buyer and the marginal seller. It is the men who are hesitating whether they should or should not purchase, whether they should or should not dispose of their goods, or whether lastly they should or should not continue to render the services necessary to their production, whose action in contracting or enlarging supply on the one hand, and on the other in intensifying or relaxing demand, is held to fix the price of an article in a competitive market. Instructive analogies have been established between the notion long since recognised by the older economists of "land on the margin of cultivation," and the new conception of marginal or final utility, introduced, or at least brought into prominence, but a score or so of years ago by their successors. Just as Ricardo, or Mill, argued that an alteration in the price of agricultural produce would cause, or be caused by, a change in the margin of cultivation, so Jevons and the Austrians have contended that the final utility of an article or a service would affect, or be affected by, the price at which it is possible to command its possession or enjoyment. The constructive genius needed to combine these distinct but analogous conceptions into one harmonious whole, where each, neither unduly exalted, nor unjustly subordinated, takes its appropriate position, instead of being placed in a contrast unnecessarily emphasised, has been supplied by a distinguished economist,¹ at whose feet many of us have sat as pupils.

The systematic application, however, of the pregnant idea of the determining importance of marginal factors to the department of international trade has hitherto received less thorough attention than that bestowed upon its position among the governing forces of the main theory of value. Jevons, indeed, maintained² with characteristic emphasis that the new conception of final utility had rendered obsolete the intricate consideration given by Mill to the varying distribution of the gains of international trade. Dr. Cannan, more recently, has similarly hinted³ that a firm grasp of the con-

¹ Professor Marshall.

² Cf. "Theory of Political Economy," pp. 154, &c.

³ In his Address as President of Section F of the British Association at Belfast in 1902.

ception would deprive the military metaphors, which suggest a conflict of interests, of the noxious influence they exert over the popular mind in what should be regarded as the peaceful transactions of international trade. But both these contentions seem to me to mistake or misrepresent the actual position. They are vitiated by the omission to see or note the fissure between the interests of the immediate present, and those of the future, which is a fault common to the economic theory of individual competition, and the practical injunction of *laissez-faire*. For, while the conception of final or marginal utility sheds an illuminating light on the possibility that the gain of one party to an exchange will not involve a corresponding loss to the other, because the transaction will not be concluded on the terms on which it is arranged, unless both parties secure an advantage which, under the existing circumstances, they could not else have obtained, it does not preclude the idea, on which Mill's lengthy discussion was based, and the vulgar employment of military terms in commercial debates is founded, that a different distribution of the resulting benefit might have been caused by an alteration in the strength of the bargainers. At the immediate moment, no doubt, both parties gain; and, on the ordinary assumption of a pervading competition, each surrenders what he then values less, in order to receive in exchange what he then values more. But it is conceivable that a different estimate of loss and gain might be framed, if the future were regarded, from that which is now entertained, and that measures taken beforehand might have altered the terms of exchange to the advantage or injury of either of the two contracting parties.

It is for reasons like these that the familiar assertion of fiscal controversy that the purchase of an import implies the sale of an export, visible or invisible, does not bring the complete consolation which is provided in the opinion of convinced Free-traders. An equivalence, which is all that is guaranteed, is different from an equality, and a change in the character of the imports or exports, which may forebode ill to the abiding welfare of a country, may be concealed under an external correspondence of quantity. The conception of final or marginal utility cannot, in fact, pretend to insure more than the achievement of a bargain, which will yield mutual benefit to the bargainers at the immediate moment, under the circumstances in which they are then situated. It leaves unsettled and unsecured a number of further considerations.

Nor, again, should it be forgotten that the importance of marginal factors as determining influences rests in the last analysis on the common assumption of individual competition. But a section,

steadily growing in size and prominence, is now given in systematic treatises on economic principles to the probable action and effects of monopoly, and the increasing attention bestowed by theorists on this topic, which was barely noticed by the older economists, accords with the larger, more conspicuous place taken to-day by monopoly in industrial and commercial practice. It would indeed be incorrect to say that the presence and influence of monopoly in international trade have hitherto been overlooked or ignored by economic writers; for the consideration by authors like Mill¹ of the conditions under which a duty may influence the terms of exchange hinges on the enjoyment of a less or more complete monopoly in the production of some desired commodity. But it is nevertheless true that the more recent development of a formal theory of monopoly, has as yet not been very distinctly or extensively applied by English writers to the treatment of international trade;² and in this respect it has shared the fortunes of the conception of the governing importance of marginal factors. With this, however, it conflicts rather than accords; and perhaps neither in the special department of economic theory concerned with international trade and value, nor in the general conception of that theory as a whole, has the problem hitherto been fairly faced of the reconstruction needed by the substitution for that competition of individuals, on which, as a fundamental assumption, economists have been accustomed to make their reasoning rest, of the larger presence, and perhaps of the ultimate dominance, of combinations small or great. With these new phenomena now prominent in the world of business it is certainly not easy to bring into accord the determining influence of marginal factors. For the very *raison d'être* of a combination is its collective action. It moves by mass, and not by separate parts. It is the antithesis of individuals competing freely with one another. It is the negation of those infinitesimal additions and deductions which are implied in the very conception of a margin. And, similarly, it is no less certain that both in its origin and in its development the theoretical argument for Free Trade has been intimately associated with that notion of individual competition, which has been in general use as a primary assumption of economic theory.

So far, indeed, as the particular theories of international trade and value have received a distinctive treatment from economic writers, their separation from the general theory of value has been

¹ Cf. *Principles of Political Economy*, Bk. V. ch. iv.

Mr. J. A. Hobson's recent "International Trade" should be noticed as an exception; but he does not consider the chief point raised in the present argument.

justified by an emphasis laid on the comparative immobility of capital and labour from country to country, as contrasted with their easier and more frequent movement from place to place, and occupation to occupation, within the geographical boundaries of a single country. Nations have been regarded as conspicuous examples of what have been described as "non-competing groups." But this distinct theory has to a great extent remained the peculiar product of English thought,¹ of which Continental economists have shown no great anxiety to claim possession, and in England the lines of severance have become less rather than more pronounced as the relative strength of the forces promoting or hindering the movement of capital and labour, within or outside the limits of a single country, has changed. Nor has the separate treatment been at any time so marked, in connection with what may be called the theory of international value, as it has been in the exposition of the more peculiarly characteristic theory of international trade. It has influenced more definitely the conception formed of the conditions under which a trade fraught with mutual advantage may arise and continue between different nations, than the notion framed of the terms on which the different bargains are adjusted; and, although a confusion between the two has invaded the minds of some ingenious writers² of uncommon ability, the questions presented are distinct, if they are also connected. In any case, the presence of individual competition within, though not across, the boundaries of countries has been accepted as an assumption, which is as pertinent to nations as to other smaller "non-competing groups," and Free Traders, at least, are never weary of urging that the vulgar errors committed, in popular talk, on the nature and consequences of foreign commerce could be avoided by the constant recollection that it consists in reality of transactions between individual traders, prompted and guided by the familiar motives which actuate individuals in the conduct of their ordinary business. The connection of the theory of Free Trade with an individualistic conception of economic society is indeed so obvious that it can hardly be ignored or mistaken.

Yet of the continual enlargement of the space accorded to the subject of monopoly in recent economic discussion it is as unnecessary to furnish examples as it would be to supply illustrations of the growth and influence of combinations in the modern world of business. The two phenomena are noticeable features of the

¹ Cf. The Articles on "International Trade and International Values," in Mr. Palgrave's *Dictionary of Political Economy*, by Professor Bastable.

² Cf. Mr. Sidney Webb in his *Eight Hours Day*.

time, and they accompany and, indeed, are causally connected with one another. The former is seen, not merely in a systematic endeavour to construct a general theory of the probable action of monopolists, whether they be buyers or sellers, under various hypotheses of the conditions of demand or the circumstances of supply; but it also makes its presence evident in the many qualifications now accepted of the familiar theories resting on the traditional assumption of individual competition which were put forward by the older economists in the special departments of their economic treatises. In connection with international trade, the latter phenomenon has reached conspicuous notoriety in the prominence and power of Trusts. Some curious consequences, which issue from this new position of affairs, may be briefly noticed.

In the first place, the probable action which the theory of monopoly indicates as likely to be taken by combinations, resembling in some important respects, differs in others from the course which individuals competing with one another might be assumed to pursue. The realisation of a maximum gain, which is the common end of monopolists and individuals, may in the case of the former be achieved by means which are impossible for the latter; and the probability of a coincidence between the present interests of traders and the permanent interests of the communities to which they may belong, which is uncertain even when the traders are individuals, becomes still less secure when combination and monopoly replace individual competition. This substitution is a tendency of the times which extorts recognition; and the corollary would seem to follow that the argument for governmental direction of the course of trade is strengthened and not weakened by these new developments.

In the second place, both economic theory and business experience conduct to the conclusion that individuals competing freely with one another are likely to be worsted in a contest with the organised strategy and concentrated strength of a combination or monopoly. In the sphere of the remuneration of labour, an economic justification has been furnished for trade unions by the suggestion that a single employer represents a powerful combination in his own person. In the department of international trade, the contention that a Trust, aided by the active assistance of its State in the protection afforded by a tariff, may be enabled to use tactical devices, which will ensure the defeat of unprotected individual competitors exposed to the searching atmosphere of free importation, does not seem a gratuitous supposition. For like causes may produce like effects.

We are told, indeed, with some support from the contrasted experience of the United States and England, that a protective tariff encourages the formation of Trusts, whose continuance is menaced by the unrestricted competition offered by Free Trade. But in measuring this argument it must be remembered on the one hand that Trusts are one example of the monopoly which is so characteristic a feature of present business that it has occasioned the addition of a new section to treatises on economic principles, and on the other that the actual fiscal situation exhibits the patent fact of combinations, shielded from external competition by the protective tariffs of their country, competing with the individual traders of a country where imported goods are allowed to enter freed, as far as possible, from fiscal limitation. And even when a combination in a protected country is confronted by a combination in a free-trading country, recent theorising would support the view that a protective tariff might suffice to incline the balance of advantage in the struggle towards the former of the two.

But, if the two lines of argument we have followed lead to a conclusion adverse to the abnegation by governments of all responsibility in stimulating or directing by fiscal action the course of trade and favourable to the use of a protective tariff for defensive purposes against excessive odds, a third and final consideration, suggested by recent developments of economic theory, and by the new phenomena which have appeared in business practice, affects the basis of the theoretical argument for Free Trade. For the construction of a theory of monopoly has hitherto proceeded on the supposition that a combination is discovered on the one side and that individuals are competing on the other. In the discussion of the wage-arrangements, effected by the collective bargaining which is increasingly in vogue, it has been shown¹ that the existence of combinations on both sides renders the theoretical consideration of the matter arduous and uncertain, if it does not become idle or impossible. The "higgling of the market," where two combinations are the higglers, depends on the arbitrary chances of the game and the accidental superiority in skill or strength possessed by one or other of the players rather than on the systematic operation of regular forces, which can be compared, measured, and foretold. To such cases, admittedly, the

¹ Cf. A paper by the present writer on the "Relations between Industrial Conciliation and Economic Theory," read before the British Association, at Bath, in 1888, and printed *in extenso* in the Report for that year (reprinted in *Economic Science and Practice*, Essay No. IX.).

economic organon can hardly be applied. The conception of marginal additions and subtractions does not fit the facts. But it is not improbable that such a situation will occur in the future more frequently than it has arisen in the past, and at the present time it is not unknown in international trade. An acquiescence, therefore, in the belief that the theoretical argument for Free Trade is now, if it ever was, complete, is only rendered possible by ignoring such significant considerations. Their recognition opens the way to a careful scrutiny of the grounds of fact on which the plea for a modification of our present fiscal policy may be made by its advocates to rest. Such an investigation, I maintain, can be liberated at the outset from the unnecessary apprehension that Free Trade is, and must remain, the "economist's policy."

L. L. PRICE

MONOPOLY AND CONSUMERS' SURPLUS.

IN the case of any commodity, some point on the "total benefit" curve necessarily lies above the maximum point on the monopoly revenue curve.¹ Hence, wherever the demand curve would, if interpreted subjectively, represent "particular" as well as "marginal" utilities,² an attack upon consumers' surplus may enable monopolists (1) directly, or (2) indirectly, to improve their position.

I.

The most obvious device for drawing into their pockets the money equivalent of this surplus is to fix a separate price for each unit of commodity corresponding to the degree of intensity with which it is "effectively demanded." If this could be done the whole of the surplus would be transferred from the purchaser to the seller.

Any exact proceeding of this kind, is, of course, impracticable. It is, however, tolerably well known that, in the case of goods or services rendered, by nature or artifice, difficult to transfer between persons and through time, monopolists can and do benefit themselves by discriminating between the charges made to different groups of consumers.³ A number of illustrations of this practice are given by Walras⁴ and Neumann.⁵ We may add that the requisite conditions are perhaps most completely fulfilled in the case of services rendered or demanded relatively to particular readily cognisable persons or things. Relevant instances are (1)

¹ Cf. Marshall, p. 809. Math. note, XXIII. *bis*. For construction, *ibid.*, p. 548, n.

² This condition is necessary to general arguments upon consumers' surplus. Cf. "Some Remarks on Utility," by the writer, *ECONOMIC JOURNAL*, March, 1908, p. 65.

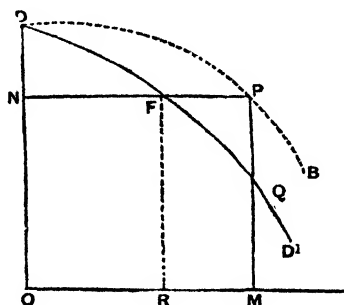
³ Cf. Edgeworth *Mathematical Psychics*, p. 47. Cf. also *ibid.*, pp. 18 and 19.

⁴ *Economie pure*, p. 384.

⁵ "Die Gestaltung des Preises," Schönberg's *Handbuch*, I., p. 292, etc.

the power possessed by gas and water companies supplying private houses,¹ and (2) the oft-quoted railway practice of raising the charge per pound-mile when a customer's demand is stimulated, whether by his individual wealth, or by the value of the goods he is forwarding, or by the absence of an alternative route.²

It is not necessary to enlarge upon this well-known device. There is, however, an alternative method, which, though less discussed, is also *prima facie* feasible. It is to refuse to sell the commodity except in parcels of a certain size, and, thus safeguarded, to put the price per unit at a level higher than could be profitably chosen if every customer were free to regulate the quantity of his purchases at desire. The effect of this policy may be, in Professor Edgeworth's terminology,³ to force the contract down from the purchaser's demand curve to that one of his indifference curves which passes through the origin. It can be exhibited, as follows, in a diagram of the class more usually employed in problems of domestic, as distinguished from international, trade. Let DD' be the demand curve. Through D draw the curve DB , such that, if



any point P is taken on it, and PN be drawn parallel to the axis of x , cutting DD' in F , and PM parallel to the axis of y , cutting DD' in Q , the area PQF is equal to the area DNF . Then, if the consumer purchases OM units of commodity at a price PM per unit, the gain of consumer's surplus on the first or unit, is exactly balanced by the loss of it on the remaining RM units, and, in the net result, no surplus remains to him.

It is clear, therefore, that a contract at some point on DB would yield a special advantage to the seller at the buyer's expense.

¹ Cf. Darwin, "Municipal Trade," p. 12.

² Cf. Hadley, *Railway Transportation*, *passim*. Acworth, *The Railways and the Traders*, *passim*.

³ *Mathematical Psychics*, p. 21. The discussion which follows in the text turns upon a species of imperfection of competition, noted, but not explicitly treated, by Professor Edgeworth, *loc. cit.*, p. 19.

It does not follow, however, that, by merely fixing the minimum amount to be sold in any one transaction, the seller can force such a contract to be accepted. It is true that the customer loses more by not purchasing than by purchasing on terms a fraction more favourable than those represented in the diagram; but it is also true that the monopolist loses more by not selling than by agreeing to terms considerably more favourable than these to the customer.¹ Consequently, it may be worth the latter's while to refuse the monopolist's proposals, balancing the risk of loss to himself against the chance of exacting some concession.

In cases where seller and buyer are evenly matched, analysis comes to an end at this point. When, however, there are a single seller and a great number of buyers, the prospects of the former are improved. For the pressure which any one of his customers can put upon him is exceedingly slight; nearly all of them are likely to recognise this fact, and, in consequence, to regard refusal to purchase on the terms offered as a sacrifice definitely incurred, instead of merely risked in the game of market higgling. Thus the monopolist may be fairly confident that, provided they act independently, they will not think it worth while to stop their purchases so long as these yield them any direct gain. There is no general reason why, by selling in fairly large packets, he should not exact from them a considerable part of what would normally appear as consumers' surplus.

The conditions necessary to the realisation of this result appear to be the following:—

First, as already indicated, there must be no combined action among the buyers.

Secondly, as in the case of ordinary price discriminations, the commodity in question must be imperfectly transferable among them. For, otherwise, there is nothing to prevent certain of them from acting as middlemen, splitting up their packets of monopoly goods, and selling them in detail to further purchasers. Under these circumstances, the ultimate consumers are really permitted to buy in whatever quantities they please. Consequently, there is no means of forcing the contract with any one of them off his demand curve. Hence, in the absence of discrimination between people, the ordinary monopoly point will be the most favourable of all possible points to the monopolist. Unless, therefore, consumers can be, at least partially, isolated, nothing is gained by selling in large packets.

¹ I.e., the bargain is economically indeterminate, Cf. *Mathematical Psychics*, p. 47.

Thirdly, again as in price discriminations, this condition of partial isolation is demanded not merely as between different consumers, but as between the same consumers at different times. For, otherwise, it is approximately¹ true that each of them can diminish his total purchases as much as he desires, and need only modify his procedure by making larger purchases at less frequent intervals. Hence it is essential to the monopolist's success that his commodity should be rapidly perishable.

Granted these conditions, there may be saleable units of certain sizes, by the adoption of which a monopolist can secure from any given group of his customers a larger return than Professor Marshall's maximum net monopoly revenue. These saleable units will be those whose selection, instead of single commodity units, causes an increased aggregate sale to be effected at prices in the neighbourhood of the ordinary monopoly price. Their character can be determined more closely by the following consideration. A consumer, who, under the ordinary system, would purchase between cn and $(c + \frac{1}{2})n$ units of commodity (c being zero or a positive integer), may be expected, when the saleable unit is constituted of n commodity units, to diminish his purchases to a total of cn . On the other hand, those who would purchase between $(c + \frac{1}{2})n$ and $(c + 1)n$ may be expected² to increase their purchases to $(c + 1)n$. Hence the monopolist stands to gain when the number of people contained in the latter of these groups exceeds that in the former. There is no general ground for believing that this condition is more likely than not to be realised, except where n is such a number that, at the price selected, the majority of people are inclined to purchase between $\frac{1}{2}n$ and n units. The possibility of such a number being found implies considerable similarity among the group of consumers concerned. This is the fourth condition of success, and it will seldom exist except when the groups are small.

For a monopolist to adapt the size of his saleable units to a multitude of small groups is, however, scarcely more practicable than it is for him to deal in this way with separate individuals. On the other hand, in cases where there are only a few small groups, it is exceedingly improbable that our first condition, that of no combination among them, will be retained. Looking

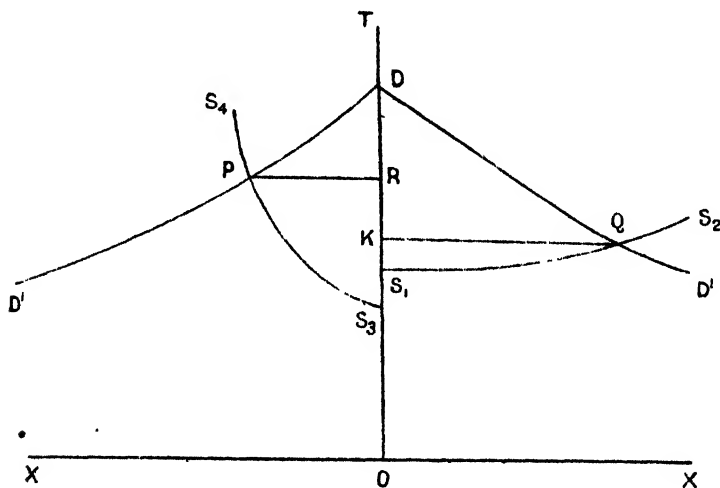
¹ "Approximately" because of considerations connected with the rate of interest.

² I.e., if the parts of the individual demand curves with which we are concerned are approximately straight lines. If they are convex to the origin, some of the former group will not diminish their purchases. If they are concave some of the latter group will not increase theirs.

at the four conditions together—(1), no combination among the purchasers; (2), imperfect transferability of the commodity or service concerned; (3), perishable character of this commodity or service; (4), divisibility of purchasers into a few groups of similar people—we can hardly conclude otherwise than that the conjoint realisation of all four is not to be expected. It seems improbable, therefore, that a monopolist will often be able to improve his position by manipulating the size of his saleable units.

II.

Our second problem is to consider the indirect help which a combination's power of attack upon consumers' surplus may afford it in extruding would-be competitors. The pure theory of the matter can be exhibited in a diagram. Let DD' be the demand



curve for any commodity on the part of any one consumer. Let it be represented upon both sides of the axis of T . To the right of that axis draw the combination's supply curve to that consumer,¹ and to the left the competitor's supply curve. Thus, by ceasing to deal with the competitor, the consumer loses, at the utmost, the area DRP . The combination can compel him to do this by the threat of not supplying him at all, provided that the area DKQ exceeds the area DRP .² Nor will the suggestion of a complete boycott always be necessary. The same end can

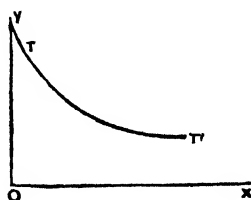
¹ This will often approximate to a horizontal straight line.

² Subject to the considerations advanced, *ante*, p. 390.

be achieved by manipulating the price charged or amount sold sufficiently to penalise or benefit the customer to the extent represented by DRP. In order that this power may be exercised, the first three conditions enumerated in the last section must be fulfilled, and it is further required that the competitor be unable to concentrate attention upon supplying the *whole* needs of *some* consumers. These conditions are temporarily realised in some degree in the case of manufacturers confronted separately with a demand to "unionise" their shops,¹ and also in that of retail dealers pressed for a factor's agreement.

An important sub-case under the same head occurs when a purchaser is bound to a seller, not by insufficient quantity, but by the absence of certain qualities, in other sources of supply. Thus a large shipping company is able to give to shippers all the facilities offered by a smaller competitor and, in addition to these, the further advantage of more frequent sailings.² In the same way, a large telephone company offers its subscribers the means of

¹ This case, involving, as it does, the element of time, cannot be *completely* treated by a plane diagram. As Professor Marshall has observed, a concrete representation of the demand function requires the use of a three-dimensional figure, described about axes of price, rate of consumption, and time respectively (p. 520 footnote). The ordinary "demand curve" at any moment is a plane section of this construction, parallel to the plane of the price and "rate of consumption" axes. It is suggested that a section, parallel to the plane of the "rate of consumption" and time axes—a curve, that is, to say, representing the amount per week, month, or year demanded, at a given price, after different intervals of time—might facilitate the handling of certain short-period problems. Let $\tau\tau'$ be such a curve, units



of time being marked off along Ox , and rates of consumption of the commodity along Oy . Then, if the given price, when our investigation begins, is above that which prevailed shortly before, $\tau\tau'$ will be inclined negatively; if below, positively. The slope of $\tau\tau'$ measures the rapidity with which the law of substitution and the influence of custom on demand act under given circumstances. At the point where their action is finished, $\tau\tau'$ becomes a horizontal straight line. The argument for lowering railway rates to develop the traffic implies the opinion that, in the case under consideration, it slopes positively. In the problem of the text the supply price of unionist workpeople may be regarded as raised by the addition to the old price of a stipulation that unionists alone shall be employed. The negative inclination of $\tau\tau'$ represents the ability of the manufacturer, increasing with the lapse of time, to fill their places with "blacklegs."

² Cf. Macrosty, on the fight between the South African Shipping Conference and the Prince and Houston lines. (*British Industries*, edited by Ashley, p. 204.)

communication with many houses additional to those served by a rival.¹ Or, again, a concern, possessing a legal monopoly in some lines of goods, may occupy a similar position of advantage with regard to other goods used in conjunction with these. In the boot and shoe trade, for example, there are said to be certain firms controlling important patents. The patented machines are not sold, but are let out on lease under "conditions which debar manufacturers from employing these machines save and except in conjunction with other machines supplied by the same controlling owners . . . one of the conditions of the leases being that the latest machines must not be used for goods which have, in any other process of manufacturing, been touched by machines supplied by other makers."² In all such cases the seller of goods and services, which are, or can be rendered, imperfectly transferable, is able to exercise upon a customer pressure analogous to that illustrated in the preceding diagram.

A. C. PIGOU

¹ Major Darwin, who cites this case (*Municipal Trade*, p. 51), does not observe that the company's power depends on its selling its services in a lump for an annual subscription, and therefore, erroneously, as it seems to the writer, associates with telephones, "tramways and many other businesses."

² *Times*, February 4th, 1903.

CURRENCY REFORM IN MEXICO AND CHINA.

THE period through which we are now passing will not improbably be singled out in future monetary histories as a very remarkable one, because it may well be that we are, as it were, at the present time watching the dying struggles of the silver standard. The gold standard was adopted by India in 1893—99, by Peru in 1898—1901, and by Japan in 1897—98, whilst the Philippine Islands and the Straits Settlements took the necessary preliminary steps for a move in the same direction in 1903. These are accomplished facts, whilst, looking to the future, we see signs of monetary changes in Mexico and China, the only remaining silver-using nations of any importance. It is this latter movement which will here be briefly discussed.

In 1902—3 a correspondence on the silver question took place between the Governments of Mexico, China, and the United States, with the result that three Commissions were appointed—an American Commission, and two Mexican Commissions, one of the latter dealing with international exchange in close co-operation with the Americans, whilst the other examined all local questions likely to affect Mexican monetary reform.¹

The local Mexican Commission issued its report in December, 1903, and recommended a monetary system closely resembling that adopted in the Philippine Islands. The plan includes the closing of the Mints to the free coinage of silver, the substitution of a new coin of equal weight for the old dollar, and the temporary prohibition of the importation of that coin. As to the weight ratio, as it may be conveniently called, or the ratio of the

¹ "Final Recommendations and Reports of the Commission on the Monetary Problem," translated by L. C. Simons, *Mexican Herald*. "Stability of Exchange. Commission on International Exchange of the Republic of Mexico." London: A. E. Bailey, 1903. "House of Representatives. Document 144. Stability of International Exchange. Report, &c." Washington: Government Printing Office, 1903. "The End of the Mexican Dollar." A. Pratt Andrew, *Quart. J. of Economics*, May, 1904.

weight of pure silver in the dollar to the weight of an amount of pure gold of equal value to the dollar when maintained at the gold par of exchange, the proposals made by the Commissioners are not very definite; it being merely suggested that the gold price of the new dollar should be allowed to rise until it became equal to the average gold price of the old dollar "on foreign markets during the last ten years with an increase not exceeding ten per cent." The Commissioners hope that the necessary alteration in the rate of exchange would result from the growth of commerce and the consequent increase in the demand for coin, it being held to be undesirable that the change should in any case be brought about "brusquely or untransitionally." A reserve fund in gold or in silver is advocated in order to enable the Government, when it sees fit, to sell drafts on foreign cities, and thus to maintain the gold price of the silver dollar. Finally, if silver bullion rises in gold price until the silver in the dollar becomes more valuable than the par value of the dollar, the silver dollar is to be demonetised, and a gold currency introduced.

The foregoing are the chief features of the proposals of the majority of the Mexican Commission, a minority being in favour of the immediate establishment of a gold reserve, together with a rapid forcing up of the value of the dollar to its parity with gold. The annual demand for additional silver dollars is now small, and might diminish if banking methods were to continue to improve; and it follows that the mere closing of the Mints, even if no fall in gold prices took place subsequently, might not produce the desired result for many years. There is, therefore, much to be said in favour of the view held by the minority of the Commissioners, although it is true that the caution of the majority was not due to any doubts as to a gold standard and currency being the best system, and the one that should be established ultimately.

The proposals of the Mexican Commissioners might involve a considerable enhancement of the value of the dollar, and this is objectionable for two reasons. Such an operation would not only be identical with an artificial lowering of prices, but it would also be equivalent to the award of a bounty to all the owners of coin during the transitional period. These economic evils might be avoided by the adoption of the gold price for the time being of the old silver dollar as the par of exchange, and by issuing either a full-weight silver dollar at a discount, or a lighter silver dollar at par. The first of these alternatives is, as I think, rightly rejected; and such arguments as are in effect brought against the second

alternative are political rather than economic. It has become, so we learn, almost a matter of course to stipulate that payments shall be effected in hard dollars "of the weight and fineness provided by the present monetary law, with the proviso that if said law is modified, the creditor shall choose the kind of money in which he shall be paid." Although these customary contracts are of doubtful validity, it appears to be held that any proposal to alter the weight of the dollar would delay reform, and, if adopted, would cause friction. On such a point the foreigner cannot judge. It is to be noted, however, that it is proposed that, if silver should rise in gold price above a certain limit, the silver dollar should be demonetised; and in this case it is clear that the proviso in the customary contracts would have to be made undoubtedly invalid.

Thus there are good reasons to hold that the scheme proposed by the Commissioners is capable of improvement. Perhaps the unavoidable difficulties might be reduced to a minimum if a higher weight ratio than that suggested were to be adopted, if the formation of a gold reserve were at once to be commenced, if the new dollar was to be forced up to its proper gold price fairly quickly, no great change being in these circumstances necessary, and if powers were to be taken to coin a lighter silver dollar, should the market price of silver bullion ever rise above a certain level. As soon as it was known that the silver dollar had a fixed gold price, there would, I believe, be little risk of complaints being made in consequence of the issue of a lighter coin.

Passing on to the Report, &c., of the American Commissioners, we find that they devoted their attention chiefly to Chinese monetary reform. They visited the capitals of the European Powers likely to be interested in this question, and various Commissioners were appointed to confer with them and with their Mexican colleagues. Their proposals, which in this manner received a considerable amount of lukewarm support, may be divided under three headings:—(1) That a gold exchange system be adopted in China. (2) That a uniform weight ratio of about 32 to 1 is desirable for all countries about to adopt a gold standard, and that a common monetary unit should be adopted in the East. (3) And that all the great nations should supply their needs for silver for currency purposes by uniform monthly purchases. This last proposal, the object of which was to minimise the oscillations in the gold price of silver, hardly touches the questions discussed here, and it may be enough to remark that, though politely received, little or nothing is likely to come of it. •

With regard to the suggested general adoption of 32 to 1 as the

weight ratio, it is pertinent first to inquire whether this would be the best ratio for any nation now to adopt. The American Commissioners, in arguing this point, lay too much stress on the contention that false coinage is encouraged by the lightness of the coin; and it is almost fanciful on their part to suggest that the strain on the national credit will be less the greater the weight of the subsidiary coinage in circulation. On the other hand, they are clearly right in urging that silver coins must not be too heavy, lest they should be driven out of circulation by a rise in the gold price of silver; a point which, however, they appear to have somewhat overlooked in arriving at their own conclusions. In short, the danger of a light subsidiary coinage is exaggerated, whilst too little importance is attached to the arguments against a heavy coinage.

But even if it could be proved that about 32 to 1 is a suitable ratio for adoption at the present time, why should that *exact* ratio be generally adopted? On this point the Commissioners' arguments are excessively feeble. They hold that the adoption of their proposal would have the effect of causing an important group of nations to simultaneously cease to purchase silver for coinage purposes when its gold price rose to a certain level, and that, in this way, the danger of the disappearance of subsidiary coins would be greatly lessened. The permanent forces affecting the relative values of the metals could not, however, be controlled by the nations likely to take part in such a scheme, and that this suggestion should even be made seems to point to the fact that the ratio of 32 to 1 is not a safe one for permanent adoption.

Returning to the first and most important of the American Commissioners' proposals, namely, that concerning a monetary system for China, here again we may observe the influence of the Philippine Islands example. A new silver coin is to be issued, the gold price of which is to be maintained at par by a foreign controller appointed by the Chinese Government, the method being the sale of gold bills on foreign cities at a fixed rate. The necessary funds are to be created and replenished by the seigniorage profits and by loans if necessary. Finally, the system is to be gradually introduced and legalised.

It will be observed that it is proposed that the gold-exchange system, or the system associated with the name of Mr. Lindsay, should occupy, either temporarily or permanently, a place in the monetary systems of Mexico and China. Space here forbids a discussion of the merits of this plan. It was, I believe, condemned by the British Commissioners, and the Netherlands Commissioners

declared, after long experience, that it has considerable dangers and does not work well automatically. It demands an intelligent co-operation between the banks and the Government, and this it may now be impossible to obtain in China. It may, however, be a necessary stepping-stone to a better system, and it is certainly founded on correct principles.

In one important respect the American proposals differ from the methods adopted in India and the Philippines. In China there is no regular monetary system, and there is no standard coin which could first be adopted and then brought to a parity with a gold unit. In these circumstances, the Commissioners propose to actually issue a new silver coin at a value dependent on gold and not on silver. The British and Russian Commissioners, however, considered this proposal to be impracticable, and advocated the introduction of a sound silver currency as a first step, the change to a gold basis being a subsequent and separate reform. This no doubt constitutes one of the most important points in these proposals which is open for discussion, the decision depending on both economic and political considerations. The American plan undoubtedly avoids certain economic evils, and it would, if successful, attain the desired end in the most rapid manner. Moreover, the issue of the whole of the silver currency in the form of subsidiary coins would cause many millions sterling to flow into the Chinese Treasury, a sum which should be ear-marked for a gold reserve; whereas, as long as the silver coins were issued at their bullion value as proposed by the British Commissioners, there would be no seigniorage profits available for this purpose. The intense conservatism of the Chinese might, it is true, make the sudden change to a gold basis quite impossible; but the attempt is, I think, worth making for these reasons.

In connection with seigniorage and weight ratio it may perhaps be noted that the interests of China and of her advisers, the United States and Mexico, are antagonistic in certain respects, and that even well-meant advice is apt to be unconsciously prejudiced by self-interest. The lighter the subsidiary coinage of China, the greater would be the seigniorage profits, and the more rapidly would a gold reserve be accumulated. On the other hand, the heavier the subsidiary coinage of the world, the greater would be the export of silver from Mexico and the United States, the countries which produce by far the greatest quantity of that metal. We must not, therefore, take the advice of these nations on the question of the weight ratio without careful consideration.

Thus in India, Peru, Japan, the Philippine Islands, the Straits

Settlements, Mexico, and China, monetary reform in the direction of the abandonment of the silver standard has been accomplished, is being undertaken, or is proposed. The inconveniences resulting from the differences in the standard of price in different countries, though often exaggerated, are very real, and the troubles due to instability in the rate of exchange between gold and silver countries are certain to be most keenly felt by debtor nations like India, Mexico, and China. These evils, moreover, are often of such a nature as to cause special anxiety to Government officials, and this is certainly a circumstance which generally makes for reform. It is, therefore, probably safe to prophesy that this movement in favour of the gold standard will not come to a standstill, although it is true that there are no signs of immediate action on the part of the Mexican Government, and that affairs in China are not unlikely to drag along very slowly. The Democratic party in the United States having abandoned silver, there appears now to be no chance of any gold-using nation listening to any proposal in favour of bimetallism, and gold must be the standard everywhere if the nations of the world are to enjoy the advantages of a common standard and stable rates of international exchange. It is towards this most desirable end that the American and Mexican Commissioners have been striving with far less encouragement than they ought to have received. But, in spite of this lukewarm support, it is not improbable that China and Mexico will reform their currency systems within at all events the next forty years; and in this case we shall have seen countries containing nearly half the population of the world pass from a silver to a gold basis within the course of half a century. The gold standard will then in all probability be universally established, and bimetallism, though its merits will still be recognised by economists, will have passed quite out of the region of practical politics.

LEONARD DARWIN

TAXATION OF LAND VALUES IN AUSTRALASIA

THE growing interest felt throughout this country in the question of the taxation of land values, as evidenced in the recent debate in the House of Commons, gives importance to the inquiry how far the suggested political experiment has been found to succeed in the countries where it has been tried. The object of this article is to examine the actual effect of the system of land taxation in Australasia, where, except for a few isolated experiments in North America and in Natal, the only serious attempt has as yet been made to adopt the principle as a scheme of practical politics. In old countries, where the land has been appropriated for centuries, and where individual landownership is an integral part of the social system, to confiscate rent would be practically the same thing as to confiscate land; to attack vested interests which have been in existence for centuries, even though the system which gave rise to them may be in itself unjust, is a serious matter: but to prevent land monopoly from growing up in a new country, or to check it in its early stages, is a comparatively simple task, and involves little or no injustice. In Australasia it can be tried under favourable conditions, for there is a vast extent of land not yet occupied, and, though the evils of land monopoly exist, they are of a mushroom growth, and the injustice is more glaring than in old countries.

The cause of the rapid development of land monopoly in Australasia is to be found in the English policy in dealing with the land. The Government aimed consistently at settling a race of small farmers on the soil, but the only system known to English law was that of individual ownership, and it was the creation of individual ownership that made land speculation possible. Until 1831 land was disposed of by free grants, or at a low quitrent—about five per cent. of the value of the land granted, and never over 2d. an acre. These grants were made on condition of residence and improvement, and the settler often had to feed,

clothe, and employ a certain number of convict labourers—an advantage rather than a burden in a country where the great difficulty was to get sufficient labour. In most cases, after a few years, the settler was able to gain the freehold of the soil on very easy terms. By 1831 the Crown had granted away 4,000,000 acres, and had got very little money in return, while the growth of population made a larger revenue necessary. In the middle of the century, experiments were made under Gibbon Wakefield's scheme of colonisation, which aimed at avoiding the waste of public lands and at starting colonies without expense to the home Government. He suggested that land for a new colony should be vested in a company, that the emigrants before leaving England should be formed into some sort of organised group, that grants of land should be sold to them at a minimum price, and the money thus gained be used in defraying the expenses of emigration, in supplying labour, and in public works. The first complete attempt to carry out this system was in South Australia, in 1836, but it was not successful, for the land sold had not been surveyed and was not ready for occupation when the settlers arrived; buyers were allowed to resell without check, and this gave rise to land speculation. The New Zealand Company tried the same plan, but again the mistake was made of selling in England unsurveyed land not ready for occupation, and the colonists were often kept waiting for their farms for years. That the system was not more successful was less due to integral defects than to defects in the methods of carrying it out; land was sold too cheaply, and the result was to accumulate large estates in a few hands. Over pastoral lands Government kept more control, and the freehold at any rate remained vested in the State. In 1831 a £10 licence allowed a squatter to occupy as much land as he liked, and it was not until it was found that one man had occupied as much as 600,000 acres that the area was reduced to twenty-five square miles. In 1847 the squatters were granted licences for a maximum term of fourteen years, and were thus formed into leaseholders, and when, after the discovery of gold, a great deal of the land was put up for auction, they were wealthy enough to buy large tracts themselves. The result was that a great deal of the land sold was withdrawn from agriculture. In 1862, in New South Wales only one-twenty-fourth, and in South Australia only one-sixth, of the land was under tillage. Reeves, in *State Experiments in Australia and New Zealand*, shows how companies and individuals bought up large tracts of land, which they kept out of the market and left unoccupied until growth of

population or other causes increased their value, and then sold them at inflated prices. In Queensland, 130,000,000 acres were owned by forty-five financial institutions. In New South Wales, 40,000,000 acres of the best land had been disposed of by 1884, and in 1891 the process was going on at the rate of 1,000,000 acres a year. Nearly half the land sold was owned by sixty-seven companies or individuals, 15,000,000 acres had been sold unconditionally, large estates had been built up, and for the most part the original settlers no longer held the lands they had bought from the Government. In Victoria, 22,500,000 acres had been sold, and in Tasmania more than a fourth of the island. In Australia and New Zealand together, about 125,000,000 acres had passed by 1891 from the State to companies or private individuals, and of these only 16,000,000 or 17,000,000 acres were under tillage or artificial grass. A much greater extent of territory was covered by pastoral leases, but here the State was still the owner.

To check the accumulation of land in a few hands, recourse was had to land taxation. In discussing this subject it must be dealt with from two points of view—(1) taxation for State purposes, and (2) rating for municipal purposes.

The objects of the Australasian land tax are to break up the large estates, to check land speculation and the withholding of land from market, and to create a population of small farmers; and the methods used to attain these ends are (1) the taxation of unimproved ground values, (2) the exemption of improvements from taxation, and (3) the exemption of small landowners from taxation.

In New Zealand a land tax was first imposed in 1878 under Sir George Grey; but it was repealed the next year by the influence of the privileged classes, and a general property tax of 1d. in the £ on the capital value of all property, real and personal, was substituted, and was continued for the next twelve years. The general property tax was an utter failure. It failed as a fiscal measure, for there was soon a deficiency in the revenue not far short of £2,000,000; and it was unjust and oppressive, weighing unduly on the small farmers and traders, and encouraging the accumulation of large tracts of land in few hands. The farmer found that he was fined for everything he did to improve the land; increase of stock or additional buildings only gained as their reward increased taxation; and if he was in debt he had to pay on all the property standing in his name, whether it was mortgaged or not. Professional men and salary-earners were also for the most part exempt, as the tax fell on property and not on incomes.

The effect was everywhere to discourage improvements and enterprise. The tax was imposed not only on industry, but on the materials of industry, and it fell with equal severity on "plant" in good and in bad years; the taxation of unproductive capital often crippled the working of the mines, and checked the development of new industries. So much land was locked up in the hands of companies, and trade was so bad, that thousands of people were leaving the country to seek for land and work elsewhere—a state of things without precedent in a new country with its resources still undeveloped. Matters were worst between the years 1887 and 1891, when an extravagant Government, run in the interests of the privileged classes, had involved the country deeply in debt, and there were thousands of unemployed. The extent of the evil and its cause were fully recognised by most of the leading men of the country. Seddon spoke strongly against land monopoly. "Everyone knows that the curse of this country is the companies holding large estates: these estates are increasing; the companies do not die, and there is no power to compel subdivision. . . . Most of the fortunes which have been made in this country have been made by the increased value given to the land, week after week, year after year, by the people of this Colony, and not by any exertion or any brain power on the part of those that hold the land." Ballance, who had introduced the Land Bill of 1878, said that "in fifteen years there will not be an acre of land left for settlement in this Colony, and the land will be in the hands of 250,000 people. By that time three out of every four individuals in the Colony will be landless."

By 1890 the property tax had become so unpopular that its repeal was the main point at issue in the parliamentary elections, and members were sent up pledged to bring in a land tax in its place. The following year the change was made, and land taxation was again brought into operation. The law carried in 1901 drew a distinction not only between real estate and personal property, but also between ground values and improvements, and its object was threefold—to get revenue, to make the large landowners pay their share in taxation, and to smash up land monopoly. Personal property was exempted from taxation, and this exemption was extended in 1893 to improvements and stock. An elaborately graduated land tax on unimproved land values was imposed, which pressed lightly on small, and heavily on large, landowners. Ground values under £500 escaped taxation, and thus the smallest class of peasant farmers were altogether exempt, whilst, if the net value of the land was under £1,500 an abatement

of £500 was allowed. A special graduated tax was imposed on all estates with a ground value of £5,000 and over, with the express object of discouraging large estates; this tax, which was paid in addition to the ordinary land tax, was $\frac{1}{2}d.$ in the £ on ground values between £5,000 and £10,000, $1d.$ on ground values between £10,000 and £20,000, and $2d.$ on all estates with a ground value exceeding £20,000. This law is still in force. The large landowners, moreover, in addition to paying a much higher tax, lose all exemptions except those for improvements. Small landowners who have mortgaged part of their land have the value of the mortgage deducted from the ground value liable to taxation, whilst the mortgagee is regarded as part owner of the estate and is forced to pay a tax on the mortgage to the extent that he would have to pay on land. No tax is paid by Maori lands, but a Maori landlord is liable to taxation if he leases land to a European. Absentee landlords pay 20 per cent. more than residents. At first there was a clause, providing that if any landowner objected to the rate at which Government proposed to tax him he could force the Government to buy his land at a little over the valuation which he himself had put on it, but this clause has now lapsed.

The effect of the tax has been satisfactory. To-day 2 per cent. more of the population hold land than in 1888, and the number of small holdings is slowly but steadily increasing; between the years 1891 and 1898, 3,500,000 more acres were brought under cultivation, and there has been a corresponding increase of prosperity in other forms of industry. Everywhere wages are higher, hours shorter, and work more plentiful. Mr. Fowlds, member of Parliament for Auckland, in his evidence given to the Colorado Revenue Commission in 1900 testifies to its success as a fiscal measure: "As for the financial results of the system, it is significant that this year (1900) we have been able to remit £160,000 in customs duties, and it is proposed to begin the twentieth century by reducing postage on letters within and beyond the Colony from twopence to one penny. We have also this year reduced fares and freights on our State railways to the extent of £756,000 per annum. I think it is also safe to add that the land tax induces a tendency to keep land values to their legitimate level." The popularity of the tax is proved by the fact that the Government which brought in the Bill remained in office, and were brought in again in 1899 by an overwhelming majority; members were sent up to Parliament pledged to extend the tax, the opposition was almost annihilated, and their leader gave a pledge that

if the Conservatives came into office they would not repeal the land tax.

An important modification of the land tax, and one that seems likely to have great effects in the near future, was made by the reactionary law passed in 1892, allowing the sale of the freehold for cash or within fourteen years, and permitting leasehold lands to be let for 999 years, at 4 per cent. on their original values. Conditions of residence and improvement are imposed on anyone holding Crown lands; the area is limited, and the land is subject to taxation. The chief defect of the system is the long period without revaluation, by which the State loses the whole increment of value that may take place during that time, whilst, if the value of the land falls and the tenant is ruined, the Government ultimately bears the loss.

The baneful effects of the property tax in New Zealand formed an excellent lesson for the Australian Colonies, and the land tax has been adopted in New South Wales, South Australia, Victoria, and in a modified form in Tasmania. In Queensland and West Australia neither land nor incomes are taxed, and there is only a 5 per cent. tax on the dividends of companies in order to secure for the Government a share of the mining wealth.

In New South Wales there had been a good deal of difficulty with the large landowners, and the attempt made by the Crown Lands Act of 1861 to let the *bona fide* settlers have the soil had not been successful; but the main object of the Land Tax Bill, which was passed in 1895, was to provide a source of revenue to take the place of customs duties. The land tax is levied on the unimproved value at the rate of 1*d.* in the £; mortgages are deducted, and an exemption of £240 is allowed; but if a company or individual holds several blocks, only one exemption can be claimed. Crown lands not subject to rights of purchase, or held under special or conditional lease or as homestead selections, are not liable to taxation. If the tax is more than two years in arrears, the Commissioners can let the land for three years or sell part of it. The result of the tax has been to effect a great improvement in social conditions. At the time when it was started, business and wages were both demoralised; a few years later, wages were higher, work more plentiful, and the number of the unemployed had been diminished by two-thirds. There was an increase in the extent of cultivated land of more than 50 per cent. over the whole amount previously in cultivation, and many of the large estates had been cut up and sold to actual settlers. It must be taken into consideration that these were years of almost

unprecedented drought, in which millions of sheep and stock perished or were only saved at great expense, and which almost paralysed the mining industry. It was feared at first that the tax would drive settlers away from the soil, and turn the land into a sheep-walk, but the effects hitherto have been wholly beneficial. Mr. G. H. Reid, the New South Wales Premier, said in speaking of the case : " It has answered my expectations in this way : that it has stimulated building and enterprise in land in every way ; it is not proving a serious burden, and I am happy to say that some of the largest owners in Australia, who have great freehold property in New South Wales, have personally expressed to me their readiness to continue the tax so long as it is in existence."

The land tax of South Australia, dating from 1884, is the oldest in existence. It was not at first very effective, for it did not fall with sufficient weight on the large landowners. In 1890, Cockburn, the Premier, asserted that " In all parts of the Colony the large estates are not only holding their own, but are insidiously creeping onwards, taking advantage of every bad season and every commercial crisis—slowly but surely depopulating the country and strangling the townships." He appealed successfully to the country and got a majority, but the opposition of the landed interests was too strong for him to carry out his policy. Nevertheless, in a short time the land tax law was amended, and fell more fairly on the large landowners. As the law stands at present a tax of $\frac{1}{2}d.$ in the £ is levied on unimproved ground values, with an additional $\frac{1}{2}d.$ in the £ on all ground values over £5,000. Absentee landowners pay 20 per cent. more. There are no exemptions for small landowners, but Crown lands not subject to agreement for sale or right of purchase, park lands, public roads, cemeteries, and land used for charitable and religious purposes are not liable to taxation.

In 1900, Mr. W. Holder, Premier of South Australia, declared the tax to be a fiscal success :—" South Australia has had to contend, for many years past, against very low prices for all our staples, coupled with very bad seasons in long succession. The revenue from the land-value tax has helped to meet our needs, and complaint against it is almost unheard. . . . The fear of the tax did operate to keep some buyers temporarily out of the market, and so stay the accumulation of large holdings ; but it has settled down now, so that the value of the land is seen to be what it will produce, and the $\frac{1}{2}d.$ in the £ is all the deduction that is calculated on this. The falling off in the volume and value of produce alone fully accounts for the reduced value of country

lands; and in the case of town lands, if the tax operates, it is to deter speculation of boom prices, and to induce utilisation and occupation of land. There is no political party whose platform includes any repeal of the tax."

In Victoria the object of the land tax was again to break up the large holdings, which were here as elsewhere a great bar to progress. The tax is levied on landed estates, and by a landed estate is meant a block of land—or several blocks, if not more than five miles apart—with an aggregate area of over 640 acres, and a capital value of over £2,500. Values in excess of £2,500 are taxed at the rate of $1\frac{1}{2}$ per cent. per annum. The assessment of the capital value of a landed estate is based upon the average number of sheep it can maintain, and land which maintains two sheep to the acre is valued at £4. The tax does not press heavily, as this does not represent the full value of the land; the average tax paid is a little under 4*d.* an acre. The proprietors as a body pay only on about half the true value of their land, and so the large estates are not broken up; moreover, the tax has been of little use as a source of revenue. "The sole outcome of the tax, therefore, is to extract about £125,000 a year from 887 proprietors who own a mass of real estate probably worth more than twenty millions sterling."

In Tasmania the tax is levied on the total capital value of the estates, and not on unimproved values only, and so it is not a pure land tax. However, some further development in the direction of land taxation is to be looked for in the near future. Land monopoly is there, as elsewhere, the curse of the country; it checks population, obstructs industry, and turns some of the most fertile land in the country into vast sheep-runs. Consequently there is a strong party growing up in favour of land nationalisation, and of taxation of unimproved land values as a preliminary measure.

The other branch of the subject—land taxation used as a system of rating for local purposes—remains to be dealt with. Rating based on the unimproved value of the land has not yet been adopted to any great extent, though a law to authorise it has been agitated for in all the Colonies.

South Australia has had an optional local tax law since 1893, giving local bodies the power to determine whether to use the land tax for local purposes in addition to the tax levied for State purposes. The law has had little effect, for its value was almost destroyed by amendments, but attempts have been made to remedy its defects. In Queensland, where there is no land taxation for State purposes, a compulsory local tax law on unimproved values was passed in

1890, which compels all municipalities and other local divisions to raise practically all their local revenue by a tax on land values only. The minimum amount of the rates is $\frac{1}{2}d.$ in the £, and the maximum $2d.$ in the £, in shires and boroughs, on the unimproved capital value of the land. The effect has been satisfactory, and building operations have increased. In New South Wales the municipalities may levy rates on the unimproved capital value of the land, provided that the ratepayers agree to the alteration by a special vote. Rates are levied on nine-tenths of the annual value of unimproved property, and on 5 per cent. of the capital value of unimproved land.

New Zealand gained a local option law in 1896, after a long struggle in the Legislative Council. It was only a very mild, permissive measure, however, and had little effect, for the ratepayers' franchise was very narrow, and municipal affairs were controlled by the landlords and not by the occupiers. When the franchise was widened, in 1898, the law was amended, and the application of the principle in any locality was allowed if it had been accepted by a simple majority vote. Palmerston North, in North Island, was the first town to take advantage of the Act; it adopted the new system in 1897, and the change has been followed by an increase of prosperity, land values having increased more than enough to compensate even the owners of unimproved land for the additional taxation, and other landowners having had their rates reduced. Building has been going on steadily—three hundred new buildings having been erected in the three years after 1897, as against fifty in the three previous years—and there is no doubt that it was the knowledge that improvements would not mean additional rates that was partly the cause of it.

In Wellington the effect of the new system has been even more striking; and we can quote the evidence as to the growing prosperity of the city given by a Wellington correspondent in *Land Values* for January last: "The result of the rating on land values in this city is causing the property-owners, who have old shanties on valuable land, to pull them down and erect substantial buildings in brick. Many others are putting extra storeys on their buildings; in fact, the central part of the city is being rapidly rebuilt. It is also gradually searching out the vacant sections and causing them to be built upon. Many places that formerly had one house, or a horse grazing on the land, have now from six to ten houses. . . . Then again, this building has created such a demand for bricks and timber that there is an outcry in the newspapers occasionally about the famine and price of bricks. The

brickmakers are having a fine harvest, and are getting from £2 10s. to £3 a thousand for them. . . . Now all this, of course, has caused the word to go around that Wellington is a good place to go to for employment; the result is a big rush from all quarters, and people are coming in faster than the place can possibly absorb. . . . This again reacts in creating a greater demand for houses, which is very difficult to supply on account of the scarcity and price of building material, with the usual result that rent and land values are increasing." The wages of unskilled labour are 10s. a day, and of skilled labour from 15s. to 20s. a day.

Up to September 1903, about sixty places had voted on the subject, and only seven or eight rejected the new system of rating. That it has not progressed more rapidly is due to the fact that the benefit of the system is not so clearly apparent to everyone in the case of rating as in that of State taxation; for in rating there can be no exemptions for small landowners, and the rates are levied at a uniform proportion on all estates. This has caused some hesitation, for in towns and suburbs the number of small landowners is very large; many shopkeepers and clerks are their own landlords, and workmen often own a small quarter-acre plot, and these lands would be taxed, whilst the houses and plant of the wealthy would escape taxation. Still the rates are very light—so light, in fact, that at present the large estates are not broken up, and the small landowner in many cases finds that his rates are lower than under the old system. The tax is gradually growing in popularity; no municipal body has repealed the rate after it has once adopted it, and many people are in favour of levying another 1d. in the £ on the capital value of land, and of making land taxation compulsory on all local bodies. A step has been taken in the direction of land nationalisation by Acts authorising the State to buy back the land from companies and individuals. Queensland, South Australia, West Australia, and Victoria each have an Act for the resumption of private arable land, and in 1894 a Compulsory Purchase Act was passed for New Zealand, but so much land has been offered to the Government that little compulsion is necessary.

As yet land taxation, even in Australasia, is still in its infancy. Little has been done beyond the initiation of the new system, and Henry Lloyd in *Newest England* points out that the practical effect is still very slight, and the abuses it was designed to remedy still exist. Not many municipalities derive the whole of their revenue from the land tax, and the State revenue is still got mainly from other sources. The injustice of the tariff, which falls mainly

on the necessities of life, undoes a great deal of the good done by the land tax; spirits, sugar, tea, kerosene, tobacco, and currants are the articles most heavily taxed. There is, however, a growing feeling against unduly raising the price of necessities, especially as the money thus gained is often used by the Government in making railways and other public works, from which the large landowners derive most profit. The income tax is still an important source of revenue, and is popular, for it taxes only the profits of industry—i.e., it taxes improvements and experiments only in so far as they are successful, and only in proportion to their success. As a source of revenue the land tax has not as yet been very effectual. In New Zealand only 6·07 per cent., in New South Wales 3·52 per cent., and in South Australia 3·33 per cent. of the total revenue is gained in this way; but there, it must be remembered, the object of its promoters was not so much to raise a revenue directly as to encourage the occupation of the land by the people, and by encouraging prosperity and industry to secure indirectly an increased revenue. That the receipts from the land tax have, in fact, been actually decreasing, although land values have risen, can be explained by the fact that there has been a large increase in the number of small estates which are exempt from taxation, and that the tax is sometimes evaded by the division of a large estate among different members of the same family. Large estates still exist, and the tax is for the most part so light that at present the landowners have more to fear from droughts and low prices than from taxes. "The worst that can be said is that notice has been served on the monopolists, and they must surrender or disappear." Land sales and the grant of the freehold still continue.

On the whole, in spite of the mistakes incidental to the initiation of any new system, it may be said that the recent experiments in land taxation have been successful, and that the effect has been to encourage an even growth of prosperity. Neither South Australia nor New Zealand, the two Colonies which had at that time adopted the land tax, suffered in the bank panics of 1893. These were caused partly by the fact that both banks and patrons had speculated largely in land, and consequently a great shrinkage in land values resulted; in New Zealand the land tax had already checked credits based on land speculation, and the only difficulty experienced was due to the fact that the New Zealand banks had branches doing business in other Colonies. A sure sign of the increase of prosperity and plentifulness of employment is the increase of immigration; in 1898 the four Colonies where the land

tax was in operation had an excess of immigration over emigration of 12,580 persons, whilst the three Colonies without the land tax had an excess of 4,910 emigrants. Private ownership in land has not been abolished, but land speculation has been checked, and land values have been steadied; for when an increase in the land tax seems probable, landowners are anxious to sell for less than the full capitalised value, and *bona fide* settlers can get the land on easier terms.

The justice and fairness of the land tax is universally acknowledged. It is very simple both to assess and to collect, for the property liable to taxation cannot be concealed and its value can be easily discovered; the occasional difficulties met with at first were due to the inexperience of the valuers and to the opposition of the large landowners. The most significant feature of the new system is, however, the fact that the land taxes, light though they are at present, can easily be increased until they make the ownership of unoccupied land a practical impossibility. Little more has been done as yet than "to point the way and take the first step," but still, in the words of Seddon, it is a step in the direction of "establishing our civilisation in this new land on a broader basis in a deeper sympathy for humanity."

A. F. DODD

REVIEWS

Protection in Germany. By WILLIAM HARBUTT DAWSON.
(London : P. S. King and Son. Pp. 259.)

THIS book is one of the most useful contributions to the literature of the Fiscal Question that has yet appeared, and is one of the few that has a wider bearing and a more permanent value. In the meantime, no doubt, the chief interest of the work lies in its direct applicability to the tariff reforms offered to this country. There is not one of the leading questions in the present controversy on which we cannot find the experience of Germany affording crucial tests. The author, however, has not treated his subject from this point of view, though, as he states in the prefatory note, "when a tendency is implicit in history it is a dishonest affectation of impartiality to omit to bring that tendency to light"; and the bearing of the Germanic tendencies is plainly set forth. The book may not attain the popularity it deserves, for two reasons. In the first place, it is solid and compact in matter; and, secondly, there are a good many passages translated from the German which are obscure in style and occasionally the Germanic fog appears to have penetrated the author's own English. The result is that the book will require an effort from the reader who is not already familiar with the subject, but it will certainly repay the effort. It professes in its sub-title to be a history of German fiscal policy during the nineteenth century. With so large a subject some parts must of necessity be treated briefly and inadequately, and perhaps the most unsatisfactory passage in the book is that dealing with List. "Theoretically List was himself a Free Trader, though he regarded the doctrine of Adam Smith as a counsel of perfection, and pending mankind's greater maturity he was concerned that Germany should confine attention to her own interests, and leave other countries to work out their own economic salvation their own way." List cannot be condensed in this summary fashion. Another passage shows that our author should

refresh his memory by reference to the actual works both of List and Adam Smith. He describes the policy of Frederick the Great as Mercantilist, and then goes on to say that "so much of economic insight he possessed *in spite of his Mercantilist fallacies*, as to know it to be sounder policy to send abroad manufactured goods than raw material, since in the former case the foreigner exchanged his own products to a larger extent for labour and by purchasing that labour maintained the strength and life behind it." But as every reader of Adam Smith knows (*Wealth of Nations*, Bk. 4, ch. 8), the mercantilist policy as regards raw material was exactly that ascribed to Frederick. One of the great merits of List was to have shown the reasonableness in intention at least of the central and original mercantile positions, and his leading idea was that the commercial policy of a nation should be relative to its stage of development. A chapter on List might, perhaps, have increased unduly the bulk of the volume, but it would have added much to its value. In truth, the necessity for condensation has rather marred the first two chapters of the book, and the presentation improves vastly as the work progresses. There would be no advantage in attempting to follow the history, chapter by chapter, and the purpose of this review may be best served by indicating its practical bearing on the present controversy. Especially as it is the example of Germany that we are most invited to follow, it may be well, in the first place, to know what that example really has to teach us.

In view of the recent publication by Mr. Chamberlain's Commission of its first approach to a scientific tariff, it is most interesting to discover how the Germans made their own scientific tariff. One would naturally imagine that a country which is supposed to lead the world in scientific training in general, and in commercial and economic education in particular, would afford the true model for the making of scientific tariffs. We should suppose that an impartial committee of immensely learned experts (with a German Hewins as secretary) would balance all the opposing interests, and work out the tariff of maximum utility to the German nation. The experts would be familiar with all the rational and national objects of Protection, and would take care that each part of the tariff was framed, not simply to promote the interest of some particular trade, but to further the interests of the nation as a whole. The most common objection raised against Protection is that it would lead to jobbery, bribery, and corruption, and that each trade would fight for its own hand without much regard to the niceties of the methods employed. A committee of experts ought to be above

all this sort of thing, and a German committee ought to be superior to any possible committee in the way of ideal purity of motive and practical omniscience as regards the facts. That is the *a priori* idea of the way in which Germans ought to have made their scientific tariff. But the application of the historical method soon shows that here, as elsewhere, the pure abstract idea is not to be relied on. The way in which the tariff was actually made in Germany was "the good old way, the simple plan" of a conflict of interests and give and take all round. There is a graphic description (p. 75) of the "universal scramble for gain." The negotiations in 1879, which led to the strengthening of Protection, are described by Deputy Flügge as the bidding of a set of "honourable brokers" instead of the deliberations of honourable members of the Reichstag, *e.g.*, "If you will give 50 for rye, I will give you a full iron duty; or if you will reject von Weddell's amendment, I will give you the rye duty, and so forth."

Nor when we look to the ideas of the great statesman who is responsible for the reversion to Protection (after too short a trial of Free Trade to be a satisfactory test under the circumstances) do we discover that Protection was adopted as a matter of principle. Bismarck was led into Protection accidentally. Up to 1878, we are told that he entertained no idea whatever of industrial and agricultural Protection. The revision of the tariff had been determined on, but solely in the interest of the revenue. Bismarck was impelled to revision by two powerful considerations. He was an enthusiastic believer in indirect taxation, mainly because more could be raised in that way without popular discontent. He wished to increase the revenue for imperial purposes with the least political disturbance. At the same time, he wished to improve, from his point of view, the financial relations between the particular States and the Empire. Under the system that prevailed the States had to make matricular contributions for the imperial expenses, and they received back their shares in the customs revenue. In general the balance was against the States, and the payments were naturally unpopular. They were also insufficient. If, on the other hand, out of a larger customs revenue the balance turned in favour of the States, the payments might be increased without any popular discontent.

Protection with Bismarck was an afterthought; his primary object was to strengthen the ties of Empire by increasing the imperial customs; he "thought imperially" in the first place, but it occurred to him that it would make his imperial proposals more popular if they were shown to be Protectionist in character. The

supplementary argument soon displaced in popular estimation the original idea. The various interests were willing and eager to accept more Protection than the Government at first was inclined to offer.

The analogy to Mr. Chamberlain's fiscal progress is striking. Mr. Chamberlain began by wishing to increase the revenue without increasing the burden of taxation; the indirect taxes would not be felt, and the social effects would be enormous. Then the imperial idea became dominant, and the fiscal system was to be made a great bond of union; finally, the imperial and social arguments were strengthened by the admixture of Protection, and in a short time, as in Germany, the afterthought became supreme—at least, with the followers. The defenders of Free Trade ought to take warning by the rapid spread of Protection in Germany, due, not to any enforcement of principles, or even of imperial thought, but to the amalgamation of powerful "trade" interests.

The chapters which deal with the effects of Protection in Germany are studiously moderate in tone, and are of the greatest interest in their practical application to some of the most popular arguments at the present time. It is admitted that "Protection has had the effect of reserving the home market for home producers to a larger extent than would otherwise have been the case" (p. 169). But the actual cost of this favour is also well brought out in the account of "dumping." In Germany, no disguise is made of the fact that this cheap selling to foreign countries is only made possible by dearer selling at home. A case is mentioned in which a syndicate made a profit of £60,000 in six months on the home sales, and a loss of £43,000 on the foreign sales. No doubt the profit was satisfactory to the syndicate, but the foreigner had the real advantage of the cheap iron, and the home industries suffered so far from dearness. The popular argument for the greater steadiness of employment with Protection of the home market, is fairly stated; but against we have the general tax on the great masses of the consumers, and the fact that on the whole the working classes are not nearly so well off in Germany as in England. The details as to the relative condition of labour in the two countries are full, varied, and convincing.

Perhaps the most valuable part of the book, and the most fresh for the English reader, is that which treats of agriculture under Protection, and of the agricultural labourer. We have in Germany, in the last quarter of the nineteenth century, a curious recrudescence of the arguments that were popular in England in the first quarter, and were demolished in the second. There is the idea

that a corn law can secure a steady remunerative price, and there is the same progressive increase in the amount of Protection that seems requisite for the purpose. There is no benefit to the labourer, in any rise in money wages, whilst there is a serious loss in real wages. And even as regards other agricultural interests (apart from labour) the benefit of Protection is both partial and doubtful. The peasant farmers and small farmers generally consume more corn than they produce, so that they gain nothing as producers, and suffer as consumers. It is, in effect, only the large estates that gain, and even here there are counteracting disadvantages. Protection has enabled the landlords to carry on the nominal ownership of their encumbered estates, but they have not been stimulated to adopt new methods, and they have not the capital, even if they had the spirit and power of enterprise. In short, so far as Protection has worked in agriculture, it has bolstered up a part of the economical system which ought to have gone into the melting-pot. Germany has not secured independence in its food supplies, but has imposed a heavy burden on its people in the attempt. The price of corn has risen above the world-price by the full extent of the duty.

In conclusion, it may be said that the great merit of the book lies in the full and dispassionate statement of facts; the earlier history, it is true, is somewhat too brief, and is relatively weak, but the remaining nine-tenths of the work display the historical tendencies very forcibly, and offer a most valuable commentary on the proposed tariff reforms in this country.

J. S. NICHOLSON

Free Trade. By the Right Hon. LORD AVEBURY. (London: Macmillan. 1904. Pp. x, 164.)

THIS book does not require any extended notice in this journal. The author is so well known, and his works have been so widely read, that his opinions on the fiscal question are sure to receive ample consideration. From the point of view of economic theory the work is conservative, not to say old-fashioned; it is the sort of book Mr. Chamberlain would have written when he was a member of the Cobden Club. Lord Avebury quotes with approval Mr. Chamberlain's dictum about the use of figures as illustrations only, which is a little hard on the reader, seeing that the book is full of figures. A few "illustrations" from the origins of civilisa-

tion, or the habits of bees and ants, or a survey of the pleasures of Free Trade on the model of the pleasures of life would have displayed the popular manner of the author with more effect, for the truth is that the figures adduced are now well-worn. The book consists to a great extent of extracts, which, again, are not very fresh. Its chief value lies in the testimony that the old arguments still seem best to a Unionist who has made his mark in affairs as well as in various fields of literary and scientific activity. The book will confirm those who still believe in the old Free Trade positions; but it is doubtful if it will have much effect on those who prefer old fallacies to old truths.

J. S. NICHOLSON

The Zollverein and British Industry. By J. RAMSAY MACDONALD.
(London: Grant Richards. 1903. Pp. 165.)

"THIS book is an official pronouncement upon the Zollverein and Free Trade, from the Socialist and Labour standpoint." The author is the secretary and, we may add, one of the leading spirits of the Labour Representation Committee. It is not, therefore, surprising that he is sometimes obliged to sacrifice a scientific examination of the issues to the necessity of writing a political manifesto. The first eighteen pages, for instance, consist of a by no means flattering account of Mr. Chamberlain's career.

The distinctive feature of the book is its insistence upon the necessity of meeting Mr. Chamberlain's proposals by an alternative scheme. The strictly logical method is, of course, to discuss one thing at a time. If it can be shown that the new proposals will do harm, this is by itself sufficient grounds for rejecting them, whether alternatives are suggested or not. But the agitation has certainly created in many minds an impression, often, perhaps, rather vague, that something must be done. Here is the opportunity for each party to put forward its particular remedy. Just, therefore, as Henry George devoted nearly half his "Protection or Free Trade," to advocating the Single Tax, so the Labour Party is taking advantage of the occasion to urge a policy of collectivism. "As a leader the mere Free Trader is hopeless. . . . Ultimately the Socialist constructive policy must become the alternative to the inefficiency and timorousness of Protection."

We need not dwell upon the actual criticism of Preferential Tariffs, as it runs along the lines which are now generally familiar. It is illustrated by very full statistics, which seem to be generally

accurate. There are, however, one or two rather sweeping assertions which are scarcely justified by any available figures. On page 32, for instance, we find the statement that "at least one half of colonial imports from foreign countries consists of materials which the Empire does not produce." This does not agree with the statistics given in the fiscal Blue-book with regard to those self-governing colonies to which the author refers.

It is interesting to follow the line of reasoning adopted in the chapter criticising the contention that a rise in the price of food leads to a rise in wages. Socialists of the Marxian school find themselves in a difficulty upon this question. They still maintain the subsistence theory of wages, although they reach it by a very different method to that of the early economists. Their theory leads to the conclusion that an increase in the cost of subsistence will be followed by a rise in wages, so that it becomes impossible to deny this popular Protectionist argument. Under such circumstances they are obliged to remain neutral, an intolerable position for an ardent politician. Mr. Macdonald, however, would evidently repudiate Marx, and seems to accept the doctrine of marginal utility in its application to wages. Here we have the cleavage between the two schools of Socialism, which has created such bitter dissension in Germany, and, to a less extent, in this country. It is a pity that the author weakens his very able and quite orthodox discussion of the question by explaining the high wages of American workmen on such grounds as that "the great waste that goes on in American life keeps the volume of consumption large."

The chapter devoted to pure Protection seems to us less satisfactory than the others. It is confined to secondary, although not unimportant, questions, while the general arguments for Free Trade are not stated at all. We occasionally even meet with conclusions which appear to lead, unintentionally, perhaps, to Protection. In the case of "dumping," for instance, the author's opinion is that it is not a sudden influx of goods that is likely to damage us, "but the constant imports, year in, year out, of the surplus of normal production." The contention of Free Trade is that a constant, steady import of cheap goods is, in general, a benefit to us. The arguments on which this conclusion depends apply not only to cheapness due to natural advantages, but equally to cheapness due to production on a large scale. The real danger of "dumping" lies largely in those effects which the author brushes aside—the sudden fluctuations by which "slaughter prices" dislocate industry.

These minute points are probably not important in a political manifesto. Certainly the book ranks high among the more purely political statements which the controversy has called forth. The Labour Party is fortunate in having secured a supporter who can put forward such a carefully reasoned defence of its position. It might be well to extend still further the work which Mr. Macdonald has begun. Many people hesitate to form an opinion upon the author's alternative proposals until they understand how they are to be carried out. He charges Mr. Chamberlain with having presented us with nothing more than an idea. Projects for nationalising the railways, the minerals, and the land require as careful an explanation of details as Preferential Tariffs. Mr. Chamberlain has appointed a Commission, which, even if it does not succeed in drawing up a scientific tariff, will, at any rate, collect a mass of material for the descriptive economist. The author's alternative proposals would be brought more within the sphere of practical politics if the public had before it some suggestions towards a working scheme for carrying them into effect.

H. B. LEES SMITH

The Return to Protection. By WILLIAM SMART. (London : Macmillan and Co. 1904. Pp. 284.)

THIS is one of the most complete statements yet put forward of the case against the new proposals. Much of what Professor Smart says has necessarily been anticipated, for fresh arguments are not to be expected at this stage of the controversy. In Mr. Pigou's "Riddle of the Tariff," in particular, the line of reasoning and the arrangement of the material are much the same as in the work before us. But the distinctive feature of the later book is that its writer was "a Free Trade manufacturer in this country and a Protected manufacturer in the United States" before he became a teacher. Professor Smart has thus been enabled to illustrate his argument by a wealth of practical examples which, as far as we know, cannot be found in any other work on the subject.

So many of the disputed questions in the present controversy depend upon a balance of probabilities, which cannot be directly measured by economic principles, that disagreement seems inevitable. But there is no such reason for any permanent divergence of opinion on points arising from the pure theory of international trade. We shall, therefore, indicate one or two of the more

theoretical portions of Professor Smart's argument which appear to us to be open to revision.

It is difficult to follow the reasoning by which he seeks to prove that a tariff directed against dumping must fail in its object:

"Suppose we put a 10 per cent. duty on foreign steel, it is pretty certain that our price in England will go up, either 10 per cent. or a little less. Say it goes up 10 per cent. Then we shall be precisely as we were. The foreigner will dump his steel at 10 per cent. higher price than he did before, but he will be as much under our price as before" (p. 164).

Why should the price of home steel go up? Presumably, its price would, under stable conditions, be such as to give producers about the normal remuneration. If we accept orthodox economic principles, they cannot for long charge a higher price without being confronted by an increase in the supply, which will bring the price down again. This can only be prevented by the formation of some sort of a monopoly, and this the writer does not assume. It does not, therefore, necessarily follow that, "if our home price for steel is 100," it will after the duty rise to 110. The result of the duty, if it succeeds in the prevention of dumping, need not be to raise the price, but only to save it from being lowered; to maintain it at 100, instead of allowing it to be driven down to 90.

We are also inclined to disagree with the conclusion that dumping "depends upon two things, on Protection and on the Trust." Dumping, in the strict sense in which Professor Smart uses the term, is the practice of selling goods, within a certain area, at a price which may cover prime costs but does not cover standing charges.

The large scale on which this enables the producer to work may lead to an appreciable fall in the cost of production. When the profits from this fall are enough to outweigh the loss due to selling a portion of the stock under cost price we have the conditions under which dumping is economically justified. But the statement of these conditions has not assumed either Protection or the Trust. The philosophy of dumping is expressed in the following sentence from an article by Mr. Hugh Bell: "You can afford to sell 10 per cent. of your make at a loss, if you thereby reduce the cost of your whole production by an amount greater than the loss on the 10 per cent." (p. 158). But this is written by an English ironmaster who knows neither the Trust nor Protection.

These chapters on dumping should be read in connection with the recently-issued report of the Tariff Commission. Many of Professor Smart's criticisms might well have been written after instead of before the appearance of this report. He seems to take it for granted, for example, that retaliation against dumping will take the form of a fixed duty, and bases most of his argument on this assumption. In strict fairness it should be remembered that all exponents of the new policy do not advocate this plan. They realise that, in time of stress, goods may be dumped over any moderate fixed duty, and suggest a flexible duty which can be easily raised high enough to meet the most extreme case, even up to prohibition. Professor Ashley's proposal, for instance, is as follows: "No low or even moderate duty will suffice to keep out foreign goods when they are being sold at any price to 'relieve' the domestic market. . . . To meet such prices, duties of 50 or 75 per cent. *ad valorem* may be needed, or even prohibition. . . . If permanence can be avoided, it will be very desirable. . . . What seems dictated by the requirements of the case is the statutory authorisation of the executive to impose the duties that may be required from time to time as the circumstances arise."¹

The administrative difficulties of this plan, however, have evidently overwhelmed the Tariff Commission, for their "maximum" tariff is apparently a constant and not a flexible one. Professor Smart's examples, therefore, of the failure of such a tariff to prevent dumping into Belgium, the United States, Germany, Holland, Austria, and France apply in full force to their proposals, and furnish a commentary on their conclusion that "the practice of dumping could not be carried on by foreign countries, but for the British system of free imports."

We are told in the preface that the book is based on a series of lectures delivered to popular audiences. This probably accounts for an occasional want of moderation, which is seen in the statements that "no Continental economist . . . would hesitate to say that Free Trade is the policy for us," that retaliation is "little short of an impertinence," and that the attitude of Canada is due to "want of humour on her part, or under-estimation of our common-sense." These and some other unguarded expressions, which occur chiefly in the chapters dealing with the Colonies, create an unnecessary impression of special pleading. On the other hand, the necessity of remembering the popular audience has rendered the work a fine example of clear exposition. The first five chapters, in particular, which do not deal with controversial questions

¹ *The Tariff Problem*, p. 82.

but with the theory of international trade, might be recommended to any student needing a simple introduction to this difficult branch of economics.

H. B. LEES SMITH

Introduction to Economics. By HENRY ROGERS SEAGER. (New York : Henry Holt and Co. 1904. Pp. xxi., 565, 8vo.)

IN the preface to this book, Professor Seager explains the particular purpose for which it is designed, and indicates the special features distinguishing it from other text-books. It is intended to be used as an adjunct to lectures. "For that reason," he observes, "it need not be elementary"; for "the lectures, which supplement it," may be used to elucidate the difficulties which arise. On the other hand, he remarks, it should furnish "some account of the development of economic theories and of the views of the writers who have contributed most to this development." He aims, in short, at supplying a "systematic exposition of economic principles" which will "introduce rather than exhaust each topic considered." Its special features are four in number. A full treatment of the subject of distribution, on the lines of the "productivity theory," to the presentation of which Professor J. B. Clark has made very important contributions, the devotion of four chapters to the discussion of monopoly, the insertion of an introductory sketch of the rise and progress of modern industry in England and the United States, and the omission of any consideration of government revenues and expenditures, are the distinguishing characteristics of this "Introduction to Economics." A welcome and important feature, it may be added, in which, however, it is not peculiar, is the addition of a full bibliographical note to the earliest chapter dealing with economic principles, and of short apposite references for collateral reading to most of the remaining chapters.

We may conveniently begin our observations on this new text-book by some remarks on its distinguishing characteristics. The omission of taxation is, we think, open to criticism. It is true that the large place given to this topic in many economic text-books is due more to historical tradition than to logical necessity. Apart from considerations of incidence, taxation may appear to be arbitrary in character. It may seem not to be regulated by those measurable motives the systematic operation of which serves to render other departments of economic inquiry

appropriate, and indeed possible, subjects of scientific study; and the origin of Economics in Germany, in cameralistic science, the close, practical connection of the revenues of the sovereign in the minds of French writers with their source in the wealth of the people over whom the sovereign ruled, and the great personal influence of Adam Smith in our own country, are perhaps jointly responsible for that elaborate treatment of governmental revenue and expenditure which has occupied the final section of most systematic treatises on economic principles, but nevertheless is somewhat out of place and imperfect when regarded from a scientific standpoint. It is true also, as Professor Seager remarks, that excellent works on public finance have recently been published in America. But, on the other hand, the entire omission of the subject produces, in our opinion, a sense of incompleteness, and it might, we think, have been possible to include two or three chapters on taxation without unduly increasing the bulk of the book. Or perhaps room might have been found by the removal of some of the matter from some of the final chapters which deal with practical problems.

We should have been sorry, however, had the necessary adjustment been effected by the withdrawal of the introductory sketch on the rise and progress of modern industry in England and the United States, to secure space for which Professor Seager himself states that the omission of taxation is due. This sketch seems to us admirable both in conception and in execution. It is just what is needed to supply the environment of fact in which the principles expounded in the subsequent chapters operate. Nor, again, would we willingly have curtailed the full treatment of the subject of distribution, or spared any one of the four chapters in which monopoly is discussed.

The general scheme of the text-book appears to have been happily planned—at any rate up to a certain point. The introductory sketch is followed by a preliminary survey of the general field of economics, in which the student is familiarised with the main features of what he is afterwards invited to study in greater detail. The two chapters which follow, on the consumption of wealth and on value and price, serve to emphasise duly at the very outset the prominent outlines of the central conception of modern economics which gives unity to the whole scheme; and the main steps in that process of valuation which is the primary business of economic activity and the chief concern of scientific analysis are lucidly presented to the reader, freed from the elaborate refinement of complicated argument or the excessive use

of the mathematical phraseology which is calculated to bewilder and deter the tyro. Production is then considered under the successive headings of (a) land and natural forces; (b) labour and capital; and (c) co-operation and business organisation. From this point the student is led to what may be described as a preliminary view of the general relation between production and distribution, to which he is again brought back, for a fuller and closer inspection, in chapters XV. and XVI., after he has first considered the different shares of distribution *seriatim*. Chapters on money, and on credit and banking follow, and Professor Seager then proceeds to consider problems which are mainly, though not exclusively, practical, and represent the application rather than the exposition of theory. Some unsettled monetary problems are first examined. The theory of international trade and value is next treated incidentally to the tariff question. The labour problem and the legal regulation of labour are then discussed, and the three chapters which follow deal with the practical aspects of monopoly, as an earlier chapter had examined the theory, while the two concluding chapters are devoted to plans of economic reform and to economic progress.

These later chapters contain much appropriate information, concisely and clearly expressed, on matters of economic practice, and much pertinent and acute suggestion on the theoretical questions which are raised in the course of the discussion. Nor is the space given to monopoly in its various forms otherwise than justified by the prominence it has lately assumed, at any rate in the United States, for the inhabitants of which Professor Seager's book is primarily intended. But the sequence of thought is less obvious, and the arrangement of the subject less unimpeachable, than they are in the chapters on production and distribution, which precede. Professor Seager, like other writers, seems hardly to have attained the full measure of that comprehensive attitude of mind which would extend explicitly to money and to foreign trade the fundamental ideas underlying the central theory of value. It may be fanciful, but we cannot but think that a due appreciation of the part played by monopoly in practice and a correct employment in theory of the conception of marginal utility might, had they been brought into close explicit relation with the phenomena of foreign trade as expounded in the older treatises, have accomplished some part of the necessary reconstruction of theory, and prevented some of the crude reasoning which has characterised recent practical controversy. But Professor Seager's discussion of the theory of international trade is hardly

more than incidental to his treatment of the tariff question. His sympathies, it may be noted by the way, incline towards free trade. His approval of monometallism as the only monetary policy which is practicable under present circumstances is even more pronounced; and perhaps he does less than justice to the theory of bimetallism. In both cases we must remember that he is writing primarily for American readers. His observations on the regulation of trusts and on railway policy, although also applicable primarily to the circumstances of the States, are interesting to English students; and they are marked by a sane but acute perception of the real possibilities of the actual situation.

The exposition, on the other hand, of the principles of economics presented in the earlier chapters of the book is, it appears to us, equally suited to students on this and to those on the other side of the Atlantic. Of these chapters we have little criticism to offer. They seem to us to merit almost unreserved approval. The matter is suitably arranged, and the reasoning is at once adequate and compact. We may select the subject of distribution in particular as an example of Professor Seager's quality. He commences, as we have before remarked, with a chapter setting forth the general relations between production and distribution, in which he hints the conclusion at which he finally arrives, that in a state of perfect equilibrium the earnings of capital and labour received in the shape of interest and wages will tend to be equal to their respective contributions to production. This is what he describes as the "productivity theory of distribution." He first eliminates from the problem other shares which are determined by other principles. Profits, he considers, would disappear altogether if equilibrium were achieved. They tend to a minimum, and are, in fact, due to those departures from a stable position which occur in actual business life. They may be distinguished into "net" or "competitive" profits, and monopoly profits; but in either case they are irregular, transitory, and uncertain, when contrasted with rent, interest, and wages. Of these three latter shares rent represents a payment for a differential advantage measured upwards from a margin, and extraordinary wages (and also, although Professor Seager does not emphasise this side of the question, extraordinary interest) partake of the nature of rent. But marginal interest and marginal wages are still left for consideration; and, when equilibrium is established, they will correspond in each case with the respective contributions of capital and labour to production.

The argument we have thus briefly summarised is developed

in Professor Seager's pages with admirable lucidity and with persuasive force. It offers, at any rate, a complete and consistent theory of distribution, which harmonises with the prominent features of modern business-life. His skill in its exposition may, we think, be appropriately taken as the measure of the success with which he has effected his object of writing a text-book, which can be used in close connection with lectures as an effective aid to the lecturer and his hearers, and not as a substitute for their intercourse. His treatise, indeed, seems to us to possess, as a whole, great advantages both for master and for pupil, and to deserve the welcome which we believe it will receive on both sides of the Atlantic. For he has, we think, succeeded in the difficult task of including a sufficient amount of the elaboration of recent developments of speculation in the introductory exposition of principles without confusing or alarming inexperienced students. The admixture of fact which is a characteristic of his treatise is similarly calculated both to interest and to instruct, and it is intimately combined with that peculiarly wholesome mental discipline which attaches to abstract reasoning alone.

L. L. PRICE

Methods of Industrial Peace. By N. P. GILMAN. (London : Macmillan. 1904. Pp. x—436. Price 7s. 6d.)

MR. GILMAN, whose excellent book on Profit-sharing is well-known, has written a volume, in which he deals with various methods of settling disputes between employers and employed. As Mr. Gilman remarks, "there is a surprising lack of books in the English language on the vital matter of industrial peace." That his work is an exhaustive account of all that has been done in this direction, the author would not claim. He says, "I have confined my view mainly to feasible methods of establishing industrial peace, which have had actual trial and proved success." It will be obvious that a book on "Methods of Industrial Peace," which contains no account of the working either of our own Conciliation Act of 1896, or of the French Act of 1892, can scarcely be considered complete. At the same time, Mr. Gilman's work contains much information of interest, some of which (relating to the United States) is not otherwise easily accessible to the British reader, and all of which is well-arranged and tersely conveyed.

When Mr. Gilman attempts to deal with English law, he is not altogether happy. The judgment of Lord Lindley in the *Taff*

Vale case was not, as Mr. Gilman asserts, to the effect that "in case the funds of the Union are not sufficient to pay the damages sought by an aggrieved employer, he can attach the property of individual members to a sufficient amount." The *dicta* of Lord Lindley, which Mr. Gilman cites, related to the possibility of suing the executive committee and the trustees of an unregistered Trade Union, and did not go nearly to so great a length as we are asked by the American author to believe. On the other hand, the views of United States lawyers on various questions connected with the decision in the Taff Vale case, which are quoted by Mr. Gilman, are of great interest.

The chapter on State Boards of Conciliation and Arbitration in the United States deserves attentive reading. Mr. Gilman ends this part of his book thus:—"The final word about the plan of State boards of arbitration, shown at its best in Massachusetts, must be that the boards do good work as far as they go; if they were better paid, made up of abler men, and entirely free from politics, they might do much more. But on the whole they are not taken seriously by the public or by disputants. Where they have accomplished the most, their accomplishment seems slight by the side of what is desirable in the way of preventing or settling serious labour troubles."

It may be noted, by the way, that the existing terminology of "industrial peace" wholly fails to satisfy Mr. Gilman. Referring to what are termed in Great Britain "Boards of Conciliation and Arbitration," Mr. Gilman remarks that "the term 'arbitration' is frequently misused in the names of these boards, for the agreements which provide for it do not put it into the hands of the boards, but refer it to some external authority; the boards themselves are conciliation boards, and have no powers of arbitration conferred upon them." Mr. Gilman is, of course, quite right in his facts; but whether it is wrong to call a board an "arbitration board" merely because it is part of an arrangement under which provision is made for referring disputes to arbitration, not by the board, but by an outside arbitrator, his reviewer may be excused from deciding. But when Mr. Gilman again and again inveighs against the term "compulsory arbitration," on the ground that arbitration must necessarily be voluntary, and that whatever is compulsory cannot be called arbitration, an Englishman, accustomed to hear lawyers talk of the acquirement of, *e.g.*, land by a railway company, by "compulsory arbitration," finds it somewhat difficult to agree with the American critic.

To come from words to things, Mr. Gilman is thoroughly

dissatisfied with the results produced by the existing "methods of industrial peace," conciliation, and (voluntary) arbitration, and warns his countrymen that, if they do not manage to get better results than at present from these old-fashioned methods, they will find themselves driven into the new way of compulsion on the lines of the New Zealand legislation, if not into still more Socialistic paths. This, indeed, is the real gist of Mr. Gilman's book. "If," he observes, "the Unions and the employers will not generally accept the method of adjusting their disputes themselves, through trade agreements and trade conciliation, or resort freely to external voluntary agencies like the National Civic Federation, or to State boards of arbitration (their present constitution could be much improved), then public opinion will doubtless demand the introduction of some such system as that now in force in New Zealand. No self-respecting society can hesitate long as to its choice between a *régime* which allows strikes like those of Homestead in 1892, of Chicago in 1894, of Cleveland in 1899, of Albany in 1900, or the Coal Strike of 1902, to be repeated indefinitely, and a *régime* of strict regulation of labour disputes by law. If the two great parties to labour conflicts will not come to a substantial agreement themselves, they must be sternly taken in hand by their superior, *i.e.*, the general public, through its courts of law, and be made either to agree or quit business. They must make way for other persons of a more reasonable disposition, or for Government ownership."

With respect to the New Zealand arbitration system, Mr. Gilman notes that all the investigators of the operation of these laws whom he cites "point out the mistake that would be committed in judging it finally from good times alone. New Zealand, along with its Conciliation and Arbitration Act, has had an unbroken period of great industrial prosperity. . . . A question of prime interest is, what will the working-man say and do when hard times come again, as come again they must, however long deferred their coming, and the court of arbitration grants the employers reductions in wages and other concessions?" This question Mr. Gilman answers as follows :—"I prophesy with diffidence; but I firmly believe that the distribution of good sense and fairness of mind among intelligent English-speaking men is tolerably uniform in the employing and the working-classes, and, so believing, I anticipate that the present attitude of the workers toward the law will be paralleled by the attitude of employers, and that there will be a substantial acceptance of the system by the workers when in turn it operates mainly against them."

One consideration of importance in relation to the New Zealand law does not appear to have engaged the attention of the author. As a matter of fact, the branches of industry, to which this law has so far been applied, are just those on which the great prosperity of New Zealand is not based, while the pastoral and agricultural interests of the Colony, which form the keystone of its wealth, have not, up to the present time, been affected by the decisions of the court of arbitration. This being the case, it is not quite easy to deduce from the success achieved by the New Zealand system any entirely convincing arguments in favour of its probable utility, if applied to the whole of the vast and complex industries of the United States.

However, Mr. Gilman does not commit himself to the opinion that the necessity for the adoption in his country of any system of legal regulation similar to that in force in New Zealand will actually arise. He has "great faith in the essential reasonableness of American employers and working-men, and in the power of such reasonableness to bring about substantial industrial peace," and has "still more confidence in the good sense and reasonableness of 'the public' as the final tribunal before which all disputes in the industrial world must be brought, directly or indirectly," and "great trust in the power of public opinion to force both parties in labour troubles to adopt reasonable policies." But Mr. Gilman has "no doubt that public opinion will reach the point of attempting the policy of legal regulation of labour disputes, if employers and working-men do not, in the next few years, greatly improve upon the record of the last few."

DAVID F. SCHLOSS

Ireland in the New Century. By the Right Honourable Sir HORACE PLUNKETT, K.C.V.O., F.R.S. (London: Murray. 1904. Pp. 300.)

SIR HORACE PLUNKETT'S book belongs to the art, rather than the science, of Political Economy. It is related to the ordinary treatises, as the prescription for a particular case is related to a demonstration in anatomy. The case is a very complicated one; the *malaise* cannot be ascribed to any single cause.

There is first "the influence of politics on the Irish mind." The absence of captains of industry from the councils of the political leaders is regretted. The methods employed for the attainment of Home Rule have been injurious to the industrial

character of the people. Agitation, as Thomas Davis said, in a passage aptly quoted by our author, "leads to much disorganisation, great unhappiness, wounds upon the soul of a country which sometimes are worse than the thinning of a people by war." "The practice of boycotting," observes Sir Horace Plunkett, "is the very antithesis of industry, creating an atmosphere in which industry and enterprise simply cannot live."

It is not often that one whose opinion is as valuable as our author's has the courage to express it as openly. When the Homeric prophet is urged to declare the cause from which his countrymen are perishing, he will not speak until he is secured against the wrath of a man whose power over the Argives is very great. But the revealer of unwelcome truths about the cause of Irish distress does not hesitate to offend two powerful orders of men, the priests as well as the political leaders. He complains of excessive and extravagant church-building at the expense of poor communities. Referring to the multiplication of elaborate monastic and conventual institutions, he says: "I cannot believe that so large an addition to the 'unproductive' classes is economically sound, and I have no doubt at all that the competition with lay teachers of celibates living in community is excessive and economically injurious." A more sweeping condemnation is based on "the reliance of that religion on authority, its repression of individuality, and its complete shifting of what I may call the moral centre of gravity to a future existence." To these causes are attributed a "listlessness and apathy in regard to economic improvement which amounts to a form of fatalism, and in backward districts a survival of superstition which saps all will and purpose."

Defects in the educational system of Ireland are pointed out with equal freedom. Education has been in Ireland too long a thing apart from the economic realities of the country; not adapted to correct "the defects in the industrial character of our people which debar them from successful competition with other countries."

Though the causes of malady are manifold, the remedy is comparatively simple: to improve the industrial character of the people. Means of effecting this improvement are afforded by the Department of Agricultural and Technical Education, of which Sir Horace Plunkett is the originator and president. As the scope and functions of this Department have already been described in the *ECONOMIC JOURNAL*, both by the Chief himself

and by his able lieutenant, Father Finlay (ECONOMIC JOURNAL, vol. vi. 205; vii. 131), we need not repeat what has been so well expressed. Suffice it to say that the statistics of continued progress are brought up to date in the work before us. Attention may also be called to the lively picture of the matters with which the Department has to deal, in particular the applications for assistance which pour in upon the Chief—"himself" in the racy vernacular. A stockowner from a remote district telegraphs, "My pigs are all spotted. What shall I do?" Another writes, "Al the pigs about here is dying in showers. Send down a Vit at oncet." We have not space to reproduce the interviews with typical callers—the man who has invented a method of utilising bogs, and the man who wants his daughter to be trained as a poultry instructress.

Hearing how much is done by the Department, the economist, indoctrinated with the principle of *laissez faire*, may be seized with apprehension. But on examination he will find that the danger of doing too much has been anticipated by the Chief of the Department—that he has carefully considered what Burke calls "one of the finest problems in legislation," to determine what the State should do for the people and what it should let the people do for themselves. Other parties too, besides the economist, who may at first have feared for their favourite cause or peculiar tenet, will find that the author's frank criticisms are directed to the improvement of industrial character, without bias in favour of Orangemen against Catholics or Unionists against Nationalists. Trojan and Tyrian have seldom been treated so "indifferently." To the even-handed criticism which has been bestowed all-round on Irish institutions it has been archly suggested that there is one exception—"The Department." To us it appears that a little parental partiality towards a successful creation is natural and venial, and not much calculated to impair the general worth of our author's judgments. If we are right in ascribing a peculiar value to these judgments as being based on a large practical experience and expressed with unique fearlessness, they cannot fail to be highly prized by such as are disengaged from party contests. In that class we may include Posterity; who will perhaps find in these pages a picture of Irish conditions as instructive, if not as artistic, as that which is presented in Berkeley's *Querist*. If our author's words prove as effectual as his work, and the effect of both is as permanent as it is beneficial, he will deserve the prophetic encomium which was bestowed upon him in a recent debate by the Chief Secretary

for Ireland : the name of Horace Plunkett will be remembered, "enshrined in History with the names of Arthur Young and Thomas Drummond."

F. Y. EDGEWORTH

La Politique agraire. Par EUGEN VON PHILIPPOVICH, Professeur à l'Université de Vienne, traduit de l'allemand par Savinien Bouyssy. Avec une préface par A. Souchon, Professeur à la Faculté de Droit de l'Université de Paris. (Paris : Giard. 1904.)

PROFESSOR PHILIPPOVICH'S name vouches for a good book, and no doubt in Austria and in Germany his *Agrarpolitik* will have been received as a valuable addition to economic literature, being generally accurate, pithy, and yet losing nothing of its lucidity by brevity. There is an unmistakable smack of the "Kolleg" about the volume, which plainly proclaims its object. For that very reason one cannot help wondering a little with Professor Souchon, who supplies the preface, why it should have been specially singled out for translation. "There is so little to interest us Frenchmen in it, or yet English people," says M. Souchon. That is not quite correct. However, it is true that when we Britons and French read about German and Austrian economics, we want to learn a good deal more than can possibly be told in these short, carefully docked, condensed chapters, perfectly sufficient as they are for students initiated in the peculiar nomenclature and economic lore. Even so, it appears to me, the contents fall short of the promise of the title. There are matters on which one might reasonably look for information on which the author is absolutely silent. On other points, of great present interest, the author—who is careful to quote at the end of every chapter a well-selected bibliography, with which it is impossible to quarrel—shows himself as relying too much upon his pet authorities, without sufficient familiarity of his own with the subject wherewith to check the borrowed opinion. This occurs where he deals with collective husbandry, with East Prussian peasants' settlements, with *métayage*, with the relative superiority of cultivation on large and small farms, with the results of agricultural labourers' agitations, and, above all things, with Co-operation, which is at the present time, at any rate in German-speaking countries, together with the tariff, the most "burning" question of all in *Agrarpolitik*.

On the other hand, there are really excellent bits in the book.

I do not remember reading a better chapter on the rather difficult subject of agricultural credit than that in which our author discusses its general and distinctive characteristics, so pithily, yet so clearly and convincingly.

There is a curious peculiarity about the book—a peculiarity which really is most refreshing, and makes it all the better reading. As a professor, Herr von Philippovich appears to consider himself bound to hold up *Agrarpolitik*, that is, the guidance of national agriculture with leading-strings of red tape of which a Minister holds the end, as a thing which, under Divine providence, is, and therefore must unquestionably be accepted, and probably is good. Ordinary Germans and Austrians could not possibly be trusted to go about their own business alone. There must be, like Jack Tar's "angel aloft," some benignant Minister of State guiding, restraining, supporting, thinking for them, fighting for them for bounties, exemptions, and protective duties. And thus we arrive at that veritable pyramid of different *politiks*, all of them good for one interest, all of them damaging to all others, of which our author speaks—*Agrarpolitik*, *Handelspolitik*, *Productionspolitik*, *Consumptionspolitik*, and the rest of them; from sheer superfluity of creative caprice he even adds a new one, *Einkommenpolitik*. How happy one feels that all this is ordained only for Germans and Austrians! However, every now and then, through all this Damascene armour of professorialism, breaks Herr von Philippovich's own personal judgment, generally sound, and before a whiff of his common-sense the whole fabric of *Agrarpolitik* tumbles to pieces like a house of cards. In some things, in the teeth of conclusive evidence to the contrary, he adheres doggedly to *Agrarpolitik*; thus, on the important question of mortgages—what an excellent opportunity for teaching he here throws away!—and of subdivision of land. His own theory about mortgages, of which the State is to fix the limit, and for which it may have to provide the money, is worthy of Herr Ratzinger and Professor Ruhland. He repeats exploded complaints about alarmingly increasing indebtedness, which, as to Germany, Dr. Buchenberger, and as to Austria, Herr von Klein, have proved to be unjustified, and which are conclusively refuted by recent official returns in Prussia, the worst culprit, showing a decline in foreclosures. He dreads excessive subdivision, though Dr. Buchenberger, the highest authority, speaking of the most subdivided country in Europe, that is, the Palatinate, has shown that subdivision is now, owing to the action of natural causes, less than it was in the seventeenth century! However, on other occasions, out comes

the author's own excellent good sense, proving the illusoriness of *Agrarpolitik* from the brilliant development of British industry under a Parliament at the time wholly agrarian, pointing out the serious disadvantages of *Anerbenrecht*, which makes agricultural holdings indivisible, and crushingly disposing of the plea, now so popular abroad, in favour of acclimatising the American *homestead*, under the proof of a most essential difference in the circumstances. It is in such frame of mind that one would wish to hear Professor von Philippovich lecture.

Unfortunately there is, after all, still *Agrarpolitik* to be dealt with—a complex web of ancient customs and fading traditions. But why leave out all that gives life and present interest to the study? The most important issues in the present day are those forces which are actively at work giving agriculture its own peculiar bent, not old-fashioned tenures, but fiscal policy and co-operation, on which Ministers of Agriculture abroad, and those who deal in “votes, votes, votes,” stake all their hopes. One can understand the author not caring to burn his fingers over the tariff question. But co-operation applied to agriculture is German and Austrian statesmen's main hope. What is it? What ought it to be? Should the State, as it does in Austria, patronise it, spoon-feed it, lavish taxpayers' money upon it, make it the leading feature of *Agrarpolitik*, or should it leave it alone? There is not a word of all this in Professor von Philippovich's pages. Indeed, he seems a little at sea with regard to it all. This appears from the order in which he discusses the development of agricultural co-operation in greater Germany. In that country, assuredly, the logical, which is also the historical, sequence is clearly marked. Want of money begat usury, usury begat co-operative credit, and co-operative credit begat supply co-operation. The professor completely inverts this order, dealing with co-operative supply first, and as a different thing altogether from co-operative credit, and bringing in usury quite at the end, as a devil's device, invented from sheer causeless malignancy.

Our author is mistaken when he affirms that German co-operative systems are peacefully drawing near to one another, and patching up a *modus vivendi*. They are as much at loggerheads as ever. He does not correctly explain the economic difference which distinguishes Schulze Delitzsch's co-operation from Raiffeisen's. Altruism, “Christian Socialism,” as we should call it—which, in truth, the majority of credit societies (more particularly in Austria) professing to be of the Raiffeisen type (as economically speaking they still are) have cast off for the purest selfishness

—is not an economic feature. The economic difference between the two is, that Schulze Delitzsch co-operation makes the creation and continual accumulation of capital the corner-stone of its system, whereas Raiffeisen co-operation will not even have shares, but relies wholly upon liability, which is to procure for it an immediate harvest. That is all very well when there are only Raiffeisens to sacrifice themselves willingly, with their eyes open, for their poorer brethren. However, appetite so created grows with what it feeds upon. In Germany and Austria such co-operation, or rather a State-favoured caricature of it, now lays the whole country under heavy contribution, to produce—nobody can tell what the result will ultimately be. This aspect of the question should have been dealt with, for its importance is daily growing. However, the reader, though told that there is co-operation, is left to find out the facts for himself, and to form his own opinion.

The French translation is generally good, but every now and then the translator shows a provoking want of familiarity with technical terminology, which is likely to confuse readers not at home in the matter.

HENRY W. WOLFF

Le Travail de Nuit des Femmes dans l'Industrie. Rapports sur son importance et sa réglementation légale. Publiés au nom de l'Assoc. internat. pour la protection légale des travailleurs. Préface par le PROF. ETIENNE BAUER. (Jena : G. Fischer. 1903. Pp. xlii, 384.)

Les Industries insalubres. Rapports sur leurs dangers et les moyens de les prévenir. Publiés au nom de l'Assoc. internat. Préface par le PROF. E. BAUER. (Jena : G. Fischer. 1903. Pp. lx, 460.)

THE reports included in these two volumes, presented to the Association in answer to the resolutions of the Congress held at Paris in 1900, were discussed at the meeting at Cologne in September, 1902. Drawn up by experts, factory inspectors, labour commissioners, &c., thoroughly cognisant of the practical workings of their subject, they give us full and detailed descriptions of the position of each European country with regard to night-work for women, and dangerous trades. It would be difficult to find elsewhere the information they contain, except by going to the original reports of inspectors, factory owners, workmen's unions,

Government Commissions, &c., a task for which few people have leisure.

Professor Bauer, in his admirable introduction to the first of these two volumes, briefly and clearly summarises the evidence contained in the separate reports, and points out the tendencies of legal enactments in each Government, as well as the causes influencing particular trades. Whilst in every country of Europe young girls are protected by law, and their periods of rest fixed, in many countries women are not thus protected. In Russian industrial centres, where night-work for women is usual, infant mortality, as shown by the statistical tables of Dr. Dementjeff (p. 337), is appallingly high. In one factory 1,225 workwomen had had, at the date of the inquiry, 1,815 children, of whom already 1,284 were dead. In England, on the contrary, since the laws protecting women have been passed, their own and infant mortality have greatly decreased. It is not only physically that night-work is so injurious, it is morally and intellectually bad as well. The loosening of family ties, the neglect of children, as well as of the care and cleanliness of the home, are almost unavoidable, and must have a morally deteriorating effect; the intellectual development of the night-worker must also receive a check when she is unable to take part in the ordinary pleasures and amusements of her class. Prof. Mahaim, of Liège, in his report on the wool workers of Verviers, draws a faithful, if somewhat tragic, picture of the homes of women working on night shifts. Mlle. Gatti de Gamond's is a particularly interesting report, dealing as it does with a class extremely difficult to legislate for, such as workwomen in dressmakers' and milliners' shops, makers of artificial flowers, &c. It shows us the utter impossibility of physical, moral, or mental well-being amongst these women in Bruxelles, who, besides long night hours in shops, take private work, which must always be done at night, in order to help them through the dead seasons. If we look nearer home, amongst the industries where night-work is permitted, and where overtime is not only allowed but is also extremely difficult to regulate, we are struck with the unhealthy barrenness of the lives of women workers. Laundries, exempt from the Act of 1901, are fully described in the excellent appendix to Mr. G. H. Wood's report for England. Not only are the hours long, 14 for adults, 10 for children, but they may cover any of the 24 hours, so that there is practically no restriction to night-work. Overtime is allowed three days a week, so that a little girl from 13 to 14 may work on three days from 8 a.m. to 10 p.m., on two days from 8 to 8, and

four hours on the sixth day. When the unhealthy conditions of the work are taken into account, long hours of standing, feet constantly wet, want of ventilation, the atmosphere charged with steam, it is not to be wondered at that, as Miss Deane points out (p. 265), the proportion of women admitted to hospitals suffering from tuberculosis, ulcerated legs, &c., 'is higher than in any other occupation. Women employed along our coasts salting fish are practically exempt from protection. They may work overtime and at night whenever a fishing-boat comes in. But, as they follow the vessels down the coasts for most months in the year, practically their whole working life is spent under these conditions. They live in sheds round the salting-places, are exposed to all the inclemencies of the weather, working day and night till their job is done. When one compares the lot of these workers to that of women in factories, with limited hours, regulated overtime, and carefully watched hygienic surroundings, it is impossible to contemplate the continuance of such conditions. In Japan, where the work of women and young children is absolutely unprotected, one can study the horrors from which England has only comparatively lately emerged. Efforts are, however, also being made in that country to better the conditions of labour, especially in the silk industry.

One very interesting point of study arises from these reports which is worthy of further attention, that is, that certain industries are said to require in one country overtime and night-work, whilst in others, with no apparent geographical or climatic reasons, they can be successfully worked without having recourse to these expedients. Dairy work and sugar refining are conspicuous examples of these differences. It is to be hoped that a careful study of such discrepancies may show that the number of trades in which success can only be bought at the expense of the worker can be considerably diminished, and that the exceptions to the principle laid down by the Association, absolute prohibition of night-work for women, may become fewer and fewer.

The reports included in the volume on dangerous trades (and Prof. Bauer's introduction) deal specially with works where white or yellow phosphorus and white lead are used. The scope of the inquiry is further limited practically to the use of white phosphorus in the manufacturing of matches, and of white lead in that of colours. Even with these limitations, the reports, dealing as they do with the technicalities of the trades, the causes and prevention of the diseases they give rise to, the lines on which further legisla-

tion should be guided, and the special features of the questions under discussion in each European country, cover such an immense field that only a very few of the many interesting points can be noticed here. The repeated measures of every Government to avert the danger of phosphorus necrosis from the workers in match factories where white phosphorus is used, have met with no really satisfactory results. In spite of every precaution, perfected machinery, the use of respirators and baths, ample ventilation, strict medical inspection, short hours, this terrible malady cannot be stamped out. It is true that its ravages have much decreased ; but Prof. Bauer is of opinion that the complete prohibition of white phosphorus is absolutely the only means of stamping it out. He points out that employers and factory owners are for the most part extremely careful of the health of their workpeople, going beyond even what the strictest regulations require in the use of precautionary measures ; but even their co-operation with the law has not done more than diminish the yearly number of victims of necrosis. He shows that the use of safety matches (made with a non-poisonous preparation of phosphorus), and the adoption of some substitute such as, it is suggested, Bryant and May have lately been employing for "strike anywhere" matches, would make its international interdiction possible, and would, moreover, not be attended by great loss to manufacturers. Anything, however, short of an international prohibition would most probably entail heavy financial difficulties on the firms of those countries where white phosphorus was illegal, and might have the disastrous result of reintroducing match-making as a home industry.

The manufacture of white lead, bringing in its train all the horrors of lead poisoning, saturninism, has been subject to much the same regulations as the use of white phosphorus, but here, unfortunately, international legislation seems impossible. Though white lead has in recent years been slightly superseded in, for instance, pottery works, no really satisfactory substitute has been found. In painting, for which it is chiefly used, it has more enduring qualities than the preparation of white zinc by which it is sometimes replaced. The French Government forbids the use of paint made with white lead in all its public buildings, so do some municipalities ; these measures, combined with the offers of prizes for successful discoverers of substitutes, may lead to its use being greatly diminished. One prohibition should be stringently enforced, that against the employment of women in white lead

works. Not only do they succumb quicker to the danger than men, but they are so susceptible to the poison that it completely destroys their health, and thus threatens the future of the race.

EVELYN FOX

Short Studies in Economic Subjects. By J. H. LEVY. (London : P. S. King and Son. 1903. Pp. 113. 2s.)

Socialism and Individualism. By E. BELFORT BAX and J. HIAM LEVY. (1904. Pp. 155. 2s.)

THESE are the first two volumes of the Personal Rights Series which is being issued by the Personal Rights Association. In the first of the two books, Mr. J. H. Levy deals with a great variety of subjects in a very limited space. In Chapter I., which is called "Wealth Knowledge" (and for which perhaps a better title might have been found), the mercantile theory, the economic causes of the rise and fall of Spain, sumptuary laws, the statutes of labourers, the early poor-laws, the usury laws, are all briefly discussed, and the chapter, which covers more than a third of the book, concludes with some short critical remarks upon the works of the Physiocrats, and of the older English economists from Adam Smith to Cairns. With these in the main we agree, but there are one or two passages in the chapter which seem to us rather misleading, *e.g.*, the author, in speaking of the belief "that the precious metals alone are wealth," says : "This extraordinary idea permeated the whole of society, and gave rise to laws and customs which, viewed by the light of modern economic science, are so absurd that we would have some difficulty in conceiving the state of mind to which they appeared otherwise, if the Bimetallists did not furnish us occasionally with some survivals, the only service to the cause of economics with which I can credit them" (p. 8). Again, the statement on p. 39, that Mill's "renunciation of the wage fund theory made his economic system a ruin," is, we think, an exaggeration, and requires explanation. The second chapter deals with the contrast drawn by J. S. Mill between the laws of production and those of distribution. The author points out that there is no such contrast as Mill supposed, and suggests that the true distinction lies in the fact that with regard to the laws of production we reason from effect to cause, and with regard to those of distribution, from cause to effect. Chapter III., which

is, in our opinion, much the best in the book, contains an excellent popular lecture on "The Economics of Labour Remuneration." The concluding chapter, "Economic Chats," consists of four dialogues—"The Law of Diminishing Returns," "The Law of Population," "Interest," and the last giving the right answer to Sir Robert Peel's famous question, "What is a pound?" In a prefatory note, the author invites the attention of economists to his theory of Interest; this appears to us to be very much on the lines of Bohm-Bawerk's theory. Mr. Levy thinks that "we may look forward to a time when interest will not merely disappear, but when it will become negative." He seems, however, to overlook the effect of a low rate of interest on the accumulation of capital, and does not take into consideration what Sidgwick calls "the compensatory or equilibratory action of changes in the rate of interest." ("Principles," p. 274.) The author might perhaps have done better had he treated fewer subjects rather more fully, but the book is written in an attractive style, and we hope will attain its object, and "induce some taste for economics."

The second volume of the series contains a number of essays which are based on some lectures delivered by the two authors, on Socialism, and the defence of Individualism, respectively. In the first essay, Mr. E. B. Bax gives a short historical account of the part played by Liberalism during the last 300 years, in procuring the freedom of the individual—using the word Liberalism in the broadest sense. The aim of Socialism, like that of Liberalism, he thinks, is to free the individual. But there are two kinds of Individualism, between which there is a contradiction. "The Socialist," he says, "in contradistinction to the Liberal, recognises to the full this contradiction between the two individualisms, the individualism which centres in personal property, and to which Socialism is opposed, and the individualism which presupposes the abolition of private property in the means of production, and which is identical with Socialism" (p. 24). Liberal Individualism, he thinks, "is played out" (p. 44), apparently because it cares more for the liberty of private property than for the liberty of the individual, and because "progress towards freedom has turned a corner." "To destroy the specious counterfeit, and in its destruction to realise the true liberty and to abolish the property holder and free the man, such is the aim, and such must be the outcome, of the modern Socialist movement" (p. 48). Much of the essay is written in the prophetic strain so characteristic of the writings of Mr. Bax and of other Socialists. It contains propositions as to what would happen in a society formed on a Socialistic basis, which

require more than their mere statement to convince us of their truth, especially if the failure of Socialistic experiments in the past (to which there is hardly a reference) be taken into consideration; it is not apparent, for instance, why increased freedom for the individual is to be obtained by the abolition of the property holder, and we are inclined to think that there is more truth in the statement "that the maximum of Socialism corresponds to the minimum of individual liberty," notwithstanding the fact that Mr. Bax says this "is as preposterous a travesty of any great principle as ever entered the perversest head of man" (p. 31). An appendix to the essay contains a short statement of a Marxian theory of value, with an attempt to answer some of the objections which have been urged against it. With this Mr. J. H. Levy deals fairly satisfactorily in his fourth essay.

In his defence of Individualism, Mr. Levy is perhaps almost of necessity obliged to repeat a good deal of what he has already said in his Short Studies, *e.g.*, we have his theory of interest over again, as well as most of his criticisms of Mill, who is, however, further criticised in the seventh and ninth essays, which contain some remarks on one of his fundamental propositions with respect to capital that appear to us rather irrelevant. Although in the second half of the book there are some good criticisms of Socialistic proposals, and especially in the sixth essay entitled "The Case against Socialism," its value as an answer to the Socialists is, in our opinion, much impaired by the author's advocacy of land nationalisation. His views on this subject are set forth in essays thirteen and fourteen. "Private property in land, apart from improvements," is, he considers, "essentially inconsistent with Individualism." Some of the arguments he uses in support of this contention appear to us, if valid, to undermine much of what he has said in earlier parts of the book, for if they can be used against private property in land, they can be applied also with almost equal force to capital and even to labour. Mr. Levy thinks that the landowners should be compensated by the State, but this would inflict upon the community an economic loss so great as to far outweigh any possible advantages that might accrue. He would extend the process of nationalisation over a long period of time, but we fail to see how this would lessen the cost of compensation. A complete and consistent Individualism the author defines as "a full recognition of personal rights and equal rights in the gifts of Nature" (p. 146). But if this be Individualism, it appears to us almost as impracticable as the Socialism of Mr. Bax.

HENRY S. FURNISS

The Income Tax in the Commonwealth of the United States. By DELOS O. KINSMAN, Ph.D. (American Economic Association.) (New York: The Macmillan Company; London: Swan Sonnenschein. 1903. Pp. 128, 1\$.)

THE author of this monograph has compiled from a mass of scattered data a clear and concise history of the various experiments which have been made in the employment of the income tax by a number of the States in the American Commonwealth.

Sixteen out of the forty-five States in the Union have introduced the income tax since about 1840, many of them, however, only making use of it for short periods of time—some only during the Civil War—and it is at the present time employed by six States only.

The first chapter deals with the faculty taxes employed by some of the Colonies in the seventeenth and eighteenth centuries, and these the author thinks constituted a fitting basis on which to build the later income tax. The history of the income tax in the United States is a record of failures, and in his last chapter Dr. Kinsman gives some reasons for its want of success, which he attributes mainly to failure in the administration of the laws, and to the adoption in most cases of the method of self-assessment.

The success of the income tax in this country is largely due to the method of assessing incomes at their source, a method which he believes could not be very generally employed in the States owing to peculiar industrial conditions.

The book should be of value to students of the subject and useful to legislators, as it describes a variety of experiments in taxation which have been tried and found wanting.

H. S. FURNISS

Principles of City Land Values. By RICHARD M. HURD. (Published by the *Record and Guide*, New York.)

WHEN Mr. Hurd was placed in charge, in 1895, of the mortgage department of an important American company, he searched in vain, he tells us, for books "on the science of city real estate as an aid in judging values." This book is Mr. Hurd's gallant, and on the whole very successful, attempt to fill the gap. It is a theory of the structure of cities, and a statement (based chiefly upon studies of American cities) of the average scale of land values produced by different utilities. "The viewpoint is that of a conservative lender on real estate," and I venture to think that the

book has gained much by the narrowness of the writer's aim, which is merely to assist speculative investors in urban land. The study of the basic principles of city growth, as Mr. Hurd remarks in a concluding paragraph, "should reduce errors in forecasting to a minimum, permitting well-equipped intelligence, whether in buying, selling, renting, loaning on, or in any way dealing with, city real estate, to largely eliminate the power of chance."

If the English reader is repelled by the style and highly specialised terminology of the book, he will be attracted, and even fascinated, by the photographs and diagrams. I never remember to have seen so relevant and convincing a series of illustrations. Indeed, one might almost say that, had the text been entirely omitted, the illustrations would have enabled any intelligent person to frame a fairly satisfactory theory of the factors which promote, retard, and diminish the value of sites in towns. Mr. Hurd shows us that in every type of growing city there are two movements—first, a growth from the centre in every direction; secondly, what he calls axial growth, *i.e.*, along the watercourses, railways, and roads which form the framework of cities. "Modern rapid transit stimulates axial growth, producing star-shaped cities."

What, asks the anxious investor in urban land, are the factors which ought to be taken into consideration? You should inquire, replies the expert, at what rate the population is increasing, what is the "central strength" of the property, *i.e.*, how near it is to the main centre of the city or to its various sub-centres, what is its "axial strength," *i.e.*, the quantity, quality, and regularity of the stream of passengers and goods that goes by it, what is the character of the building and its aptness for work, &c., &c. There are many very instructive photographs of financially successful and financially unsuccessful buildings. For example, on page 105 there is a solid-looking house with the following severe epitaph attached: "Income from corner about 50 per cent. of what it should be, due to error of architect, who aimed at a massive appearance.—Morrison and Sixth Streets, Portland, Ore." Again, an enormous pile on page 125 is an example of a misplaced building. The error consisted in placing bank and office buildings where small retail shops were wanted. The consequence was that in the depression of 1893—8 this building did not quite pay expenses, and paid no return on the land, which cost 100,000 dollars, or on the building, which cost 240,000 dollars. On the previous page is a photograph of some cheap two-storey buildings, situated just opposite, which earned 6 per cent. on the capital invested. Let me give one more example of what can be done in America. On page

120 appears a mixed edifice described as follows: "First Presbyterian Church, located back from street. With growth of retail business on Fourth Street the space in front was built in with stores and offices. Entrance to church through building shown by sign.—Cincinnati."

"Religion blushing veils her sacred fires,"

is the line which this victim of site values forces to the lips.

FRANCIS W. HIRST

The Case for Municipal Drink Trade. By EDWARD R. PEASE.
(London: P. S. King and Son. 1904.)

MR. PEASE'S book is a serious and careful piece of argument in favour of municipalising the trade in alcoholic liquor. Such a book merits careful criticism; and the fact that Mr. Pease's book is controversial in tone, encourages the reviewer to be controversial in his *critique*, which will take up the various points in the order of the author's argument.

The present Licensing Laws do not (1) prevent the excessive consumption of liquor; do not (2) secure adequate police supervision of public-houses and prevention of drunkenness and disorder. These two points will be agreed to by everyone who has studied the question. In addition to this, the author holds that a good Licensing Law (1) should win popular confidence by responding, within limits, to popular control; (2) should directly encourage moderation in every possible way; (3) should secure to the State the whole of the special profits which the regulation of the trade creates; (4) should not only be desired by a majority of the people, but be acquiesced in by practically all classes closely concerned in it.

These four requirements are all disputable. Many laws—in fact, most laws—have popular confidence without popular control; a law which encouraged moderation in every way would, on the other hand, conflict with public opinion; the principle that the State should take monopoly profits is by no means recognised yet; and, fourthly, it is a counsel of perfection to expect a law to be acquiesced in by all classes closely concerned in it; in fact, no law which diminished monopoly profits would be acquiesced in by brewers who are themselves most closely concerned in the Licensing Laws. The author is correct in saying that our present laws do not satisfy any of his four requirements for a good law. Having stated the problem in this way, Mr. Pease argues against Free

Trade in licences, Private Monopoly (the present system), High Licence, Local Veto, and Prohibition. The next step is the most interesting in the book. In Chapter IV. we are given statistics of the consumption of beer and spirits per head in different counties, and the density of population, from which it is seen that the denser the population the greater the consumption of beer per head, whilst the consumption of spirits does not conform to this rule. Again, it seems to be the case that, as the population grows denser, the consumption of beer increases, whilst the consumption of spirits per head may diminish. The explanation of these facts, offered by Mr. Pease, is doubtless in the main correct. He says : " Alcoholic liquor is nowadays manufactured wholesale, and is carried to consumers from a distance. Hence it may be inferred that, other things being equal, a thinly populated county, where distances are great, will use less manufactured drink than a thickly populated one, and of the alcoholic drink used a larger proportion will tend to be concentrated and a less proportion diluted." In fact, it looks as if with an increasingly denser population we are likely to have an increase in beer drinking. If great efforts are made to diminish the consumption of beer this may result in an increased consumption of spirits, which would be disastrous. In fact, the main defect in Mr. Pease's argument for municipalisation is that he seems to admit that little can be done in this country to prevent the excessive consumption of liquor. If this is so, his argument that various methods will fail to reduce the excessive consumption of liquor is not an argument in favour of municipalisation. How far municipal control would secure adequate police supervision and prevention of drunkenness and disorder is again a difficult question. No doubt the elimination of private profit is an important factor, but many publicans nowadays are mere managers at a salary. The municipality would be just as anxious for profits to go in relief of rates as anyone else ; if huge profits were not made there would be a cry of mismanagement : it is a defect in the book that it is assumed that municipal control is sufficient to obtain respectable public-houses ; on the contrary, it is probably essential that not one farthing of the profits shall go to benefit the locality in which those profits are earned. Mr. Pease, as in duty bound, has no fear of the collective cupidity of our municipalities in this matter ; but it must be remembered that the public-houses would have to be bought out on a basis of capitalisation of existing profits. Marylebone has recently acquired an electric light undertaking on this basis, and no one can reasonably suggest that they will save money to the rates, as they might have

done had they originally started electric lighting before a company with its monopoly profits was in the field. It must also be remembered that the brewers would spare no money or trouble to induce municipalities to adopt a policy which would encourage drinking. Mr. Pease has hopelessly under-estimated the strength of the liquor interest; he says, "As owners of tied houses they (the brewer and distiller) know quite well that the present *régime* is doomed, and they will be satisfied, though not professedly, with a compromise plan of compensation. They will fight for the present system, of course, but they will accept defeat with good grace." What are the facts? The brewer has triumphed, has obtained a right of renewal in perpetuity for his licence and has got free from the harassing ways of the Justices of the Peace, who were always putting pressure on him to conduct his houses decently. If the brewers can control the House of Commons, the House of Lords, and the Church, as they undoubtedly do, why should they not control municipalities? The object of a brewer is to increase the consumption of beer; that of a distiller to increase the consumption of spirits. It is quite true, as Mr. Pease says, that bribery and corruption in Parliament are unheard of; but the pressure of the brewers there is none the less a fact. It is difficult to see how any scheme of municipal management, where the municipality takes the profits, could be a great improvement on the existing system. Even the London County Council, the most prominent of our municipal bodies, can grossly fail to manage a lunatic asylum. As secretary of the Fabian Society, it is natural that Mr. Pease should advocate municipalisation, and he has advocated it in a book in which he shows that he has a very good knowledge of his subject. He states his case fairly; he gives plenty of facts; he may convince many people; but at the critical point of his argument he seems to take too low a view of the powers of the trade, and too high a view of the capacity of municipalities.

C. P. SANGER

Les Syndicats industriels en Belgique. By G. DE LEENER. 2nd edition. (Brussels. 1904.)

THE second edition of M. Leener's book follows hard on the heels of the first. Belgian syndicates are interesting from one point of view, because they have been formed without the assistance of a highly protective tariff; but, of course, they have much in common with syndicates elsewhere. The first part of this book is concerned with the general theory of industrial syndicates. The

author regards these combinations as a normal development of the organisation of industry, closing the industrial anarchy which, in his opinion, followed the development of machinery and the expansion of markets. In fact, the main object of this book is to show that the development of industrial syndicates is normal, and to point out the conditions of their success; but inasmuch as he attributes the rapid spread of cartels in Germany to the Protectionist reaction, it is not very clear how far a development which is largely due to tariff manipulation is to be considered "normal." The second part of the book is about industrial syndicates in Belgium—the chambers of commerce, the "bourses aux marchandises," "ententes," pools, cartels, trusts, and the like. The third part contains the results of a special inquiry into the syndicates in the main industries of Belgium, but there is no detailed study of the effect of these syndicates on the position of the working-classes, and that, after all, is the most important side of the question.

C. P. SANGER.

Das Gesetz der Güterconcentration. Erster Band, Zweiter Halbband. Die Aufgaben der Socialpolitik gegenüber den Gruppen ohne Wirtschaft. By Dr. STEPHEN WORMS. (Jena. 1903.)

THE first portion of Dr. Worms' book, which contains the theory of the law of concentration of wealth, has already been criticised at some length in this Journal.¹ The second portion of the first volume considers how to deal with the problem of the unemployed and unemployable. It should be premised that the value of this portion of Dr. Worms' book does not depend directly upon the correctness of his view as to the law of the concentration of wealth, so that no one should omit to read this second portion of the book on the ground that he did not agree with the theories of the first portion. The second portion is far less important theoretically, but of far wider practical interest than the first portion.

Why are there unemployed? and who make up the class of unemployed? Some persons are incapable of work, either from physical causes or for want of training in a special trade; but there are at all times some, and at bad times many, capable workmen who are, in fact, out of work. It may be that at the same time there is a demand for the particular kind of work, which these unemployed are unaware of. How can the employers and employed

¹ Vol. xiii, p. 95.

be put into communication? If, on the other hand, there is no demand for this particular skilled work, how far is it possible for the skilled worker to have another trade? This is an important consideration when we are dealing with seasonal trades. Again, what provision should be made for those incapable of work, by sickness, accident, or want of special training? All these are most pressing problems of our industrial organisation, and they immediately call to our minds many familiar terms—Labour Bureaus, Trade Unions, Workmen's Compensation, Compulsory Insurance, Old-age Pensions, Apprenticeship, and so forth. Different nations have adopted many different methods with varying degrees of success and unsuccess. To those who are interested in any of these topics—and few persons are not interested—Dr. Worms' book will give a good deal of information, especially as to foreign legislation. Our insular habits lead us to neglect the results of foreign experience to a surprising extent. The Index to Dr. Worms' book contains a list of many Acts of Parliament of nine European countries, to say nothing of our Colonies and the United States of America. It is desirable that those altogether incapable of work should be supported; that those who would be capable of work, if trained, should be trained; and that those capable of work and out of work should find work. There is plenty of talk of the problem of the unemployed; there is too little trouble taken to study the question. Social reformers should read this book.

C. P. SANGER

Histoire de la Banque d'Angleterre: ses Origines, sa Fondation, son Développement, &c., &c. Par A. ANDRÉADÈS, Professeur agrégé à l'Université d'Athènes, &c. Préface de M. CH. LYON-CAEN, Membre de l'Institut. (Paris: A. Rousseau. 1904.)

FOR many years past there has been no up-to-date and authoritative history of the Bank of England, but it has come at last; come, too, from a foreign writer—a young Greek professor at the University of Athens, who has put English banking historians to shame. The conventional claim made for the book by M. Lyon-Caen in the opening sentences of his introduction, that it is destined to fill a distinct gap and to fill it happily, is more than a conventionality, and more than a token of the pride naturally felt by a professor in the achievement of his former student. It is fully justified by the work itself.

Professor Andréadès has gone to two sources for his information. He has read all that is worth reading on the subject, and he has also (although, modestly enough, he does not himself tell us so) spent a considerable time in London in order to gain information, at first hand, from the officials of the institution the story of which he chronicles. The statement that the author has read widely in his subject is not based upon the formidable list of "works consulted" which occupies some twenty-one pages of his book, since the insertion of a bibliography, as we all know, does not necessarily indicate more than a bowing acquaintance with the books mentioned. It is based upon copious internal evidence, and especially upon the shrewd comments occasionally made, quite incidentally, upon the authors cited; witness the caustic reference to one writer who, *apropos* of the Bank of England opening certain branches comparatively late in its existence, compares it to "*Sarah, qui enfanta dans sa vieillesse*," and to another and far better-known economist who, the author tells us (the satire shall be softened by being given in the original), "*ait fait de l'histoire moins pour rechercher la vérité que pour prouver certaines vérités dont il doutait d'autant moins qu'il en était l'inventeur*."

Bagehot's well-known warning notwithstanding, the first thing one looks at in the book about the Bank of England is the chapter dealing with the Bank Charter Act of 1844. The author, however, who is well versed in Bagehot, seems to have anticipated this. At any rate, he has got over the difficulty presented by the stock currency shibboleth, partly by carefully summarising and analysing both the strong and the weak points of the Act without taking sides, and partly by substituting for his own views the opinions of the friends of the measure on the one hand, and of its opponents on the other, impartially; though on such an important matter as the separation of the Issue Department and the Banking Department he speaks with his own voice, and with a clear note of condemnation, and is also evidently a believer in "free issues." In the main, however, he is a narrator, telling his story easily, skilfully, and with a clear understanding of its import. He is not a judge. He leaves his readers to form their own conclusions from the material which he supplies. This tendency, which the writer of the introduction considers a merit—"he relates facts and seeks to explain them, but he does not pass judgment upon them"—is, in our view, the only drawback of the work. In some cases the course adopted is the better one. When, for example, the author refrains from expressly declaring himself a partisan of either the Banking theory or the Currency theory, we are with him

entirely; but when, towards the close of the book, he describes and discusses fully the schemes put forward after the Baring crisis for the reform of our banking system, we feel, notwithstanding the fact that the book is professedly a history and not a controversial treatise, that we should like to have some clearer indication of the lines on which, in the author's opinion, reform should proceed—an indication which would be especially valuable from one who understands so well the working not only of our own banking and monetary systems, but of those of the leading Continental States.

A strong point of Professor Andréadès' method is his appreciation of the close connection and interaction between political events and financial events. He never loses sight of the fact that to understand aright the growth of a national institution it is necessary also to understand the times in which the institution exists, and for this reason his incidental sketches of the political situation in the seventeenth century, prior to the founding of the Bank, and of the "Industrial Revolution" in this country, are among the best passages in the book. The necessity for some such institution as the Bank of England is demonstrated, both from a commercial and from a political standpoint; the early difficulties of the Bank are described, the trying period of the Restriction, the Bullion Committee and the Bullion Report; the Bank Act and the political crises preceding and following it—these are all dealt with, and the author's final verdict upon the institution is given in the words of M. Leroy-Beaulieu: "*Tout n'est pas parfait à la Banque d'Angleterre, mais, pour l'ensemble de sa tâche, l'instrument fonctionne bien.*" With this quotation we must leave a book which will certainly obtain recognition as a most able work, useful alike to the student and to the man of affairs. One's only regret, after reading it from cover to cover, is that it is at present only available in a foreign tongue; but this is a drawback which, if English publishers are alive to their own interests, should be speedily remedied.

F. E. STEELE

Josiah Tucker, Economist: A Study in the History of Economics.

By WALTER ERNEST CLARK, Ph.D. (New York: Columbia University Press. London: Macmillan and P. S. King. 1903.) Pp. 258. Price 6s. (\$1 50c.).

THIS useful book forms No. 1 of Vol. XIX. of the *Studies in History, Economics, and Public Law*, published for the Faculty

of Political Science in Columbia University. It was suggested by Professor Seligman, who has given to the writer the valuable assistance of access to his library of economic books. In the case of Dean Tucker, no monograph could have been thorough without some such assistance. Tucker's *Elements of Commerce and Theory of Taxes* (1755), and his *Instructions for Travellers* (1757), were printed for private circulation, and are of great rarity. Dr. Clark gives us a full account of these, and of Tucker's better-known writings, together with a survey of the man's character and life and work, his surroundings at Bristol, his friends and foes. The bibliography is full and good. Tucker was a shrewd, strong intellect, many of whose paradoxes have come true. He had always the courage of his opinions, and he needed it all, for his opinions were usually unpopular. He did not know Adam Smith; but he advocated Free Trade. He regarded separation from the American Colonies as not only inevitable but desirable. He proposed a single-tax on luxuries. He favoured the naturalisation of Protestant refugees and Jews, and welcomed immigrants of all kinds with little reservation. He was the enemy of cheap gin.

He was described by the severe Warburton as making a religion of trade (p. 27); but, though he wrote more books on trade than most of our own professors of political economy, he was not an unclerical clergyman; "I have written near 300 sermons, and preached them all again and again" (*ib.*, *ftn.*).

On the elements of economics (as now understood) he has written with a clearness beyond most of his contemporaries. With most of them, he erred on the subject of Population. He does not go to the root of the matter on Price, Rent, and Taxation. He has the credit of stating something like J. S. Mill's views of the rightful protection of infant industries nearly a century before that economist. "Such infant manufactures or raw materials as promise to become hereafter of general use and importance ought to be reared and nursed, during the weakness and difficulties of their infant state, by public encouragement and national premiums. But it doth by no means so clearly appear that this nursing and supporting should be continued for ever. On the contrary, it seems more natural to conclude that, after a reasonable course of years, attempts ought to be made to wean this commercial child by gentle degrees, and not to suffer it to contract a lazy habit of leaning continually on the leading-strings. In short, all bounties to particular persons are just so many taxes upon the community; and that particular trade is not worth having

which never can be brought to support itself. Were all manufactures to receive a bounty (and all have equal right to expect it), this reasoning would appear unanswerable." (*Instructions for Travellers*, quoted p. 183.)

Tucker well deserved a monograph; and there is little wanting to the completeness and fairness of the monograph now before us.

The misprints from which no author entirely escapes are not numerous here. There seems to be an important one on p. 39: "Arguing from mere contingencies and the chance of war, is at best but the chance of war." The last five words should surely read, as in the usual editions, "a very precarious method." (Tucker, *Concluding Tract on American Affairs*, 1776, Postscript, p. 107.) As it stands, the saying is a riddle.

J. BONAR

Recent Literature on Interest (1884—1899). A supplement to *Capital and Interest*. By Prof. E. v. BÖHM BAWERK. Translated by Dr. W. A. SCOTT and Prof. S. FEILBOGEN. (London: Macmillan. 1903. Pp. xlii, 151.)

THIS is a translation, not of the *Strittige Fragen* (Disputed Questions) of April, 1900, noticed in this *Journal*, vol. x., pp. 211—3, but of the *Zinsliteratur in der Gegenwart*, the appendix to the second edition of the History and Criticisms of Theories of Interest, of August, 1900, noticed in the *Journal*, vol. xi., pp. 64—7.

The second edition of the companion book, the Positive Theory of Capital, 1902, was simply a reprint of the first edition. The duties of the Finance Minister interfered with the labours of the Professor; and we are still waiting for the general revision and the "dynamical theory of Capital," promised to us in *Strittige Fragen* (p. 42).

The work now translated leaves us in little doubt of the general direction of the revision, if we read it in conjunction with the new preface to the volume from which it is taken as well as with the *Strittige Fragen*.

The translation has been executed with spirit and fidelity. We are not told how the work was distributed between the two translators; by internal evidence we are tempted to assign the Translator's Preface and first half of the book to Dr. Scott, the second half to Dr. Feilbogen.

They might have gone further than they have done in compressing their author's long sentences. Yet compression has its

dangers. In one case (p. 21 of trans., 621 of text), it has led to the statement that a certain economist has "furnished a complete explanation" of interest, where the original makes no such flattering admission.

Translation of the expression *vulgarökonomisch* has been avoided (126, 141); the word could surely have been rendered by "popularising" with very fair accuracy. Do not the publishers of the French *Petite Bibliothèque Economique* describe the same as "une bibliothèque de vulgarisation"? In the sentence touching on "a comprehensive survey of causes affecting interest," the rendering of "*letzten Ursachen*" by "final causes" is hardly defensible as a matter of English; the meaning is ultimate or remote causes (p. 145 of trans., 696 of text). Two other minor matters may be noticed. The book of *Zaleski* is not described by Prof. Böhm Bawerk as a German book, but as a Russian, and its title ought therefore to have been translated as usual (p. 10, note I., p. 16, note 2). The translator of *Zum Abschluss des Marx'schen Systems* was Mrs. (not Miss) J. M. Macdonald.

Prof. Böhm Bawerk has been happier than any foreign economist of our time in the number of his translators, and hardly less so in the quality of their work.

J. BONAR

Philosophie der Anpassung. Von H. MATZAT, Director der Landwirtschaftsschule in Weilburg an der Lahn. Mit der Einleitung zu dem Sammelwerke Natur und Staat von Prof. Dr. H. E. Ziegler in Jena. (Fischer, Jena, 1903. Pp. 317. Price 6 marks.)

THE importance of prizes as a stimulus to study has been only too well appreciated in this country. *Quis virtutem amplectitur ipsam praemia si tollas?* Even our Universities do not dispense with such rewards; and undoubtedly there are instances on record where prize compositions have either been, or become, contributions to literature. We used to think that in Germany there was no need of such promptings to reluctant research. Many of us in the fervid admiration of German learning that prevailed *consule Planco*, or say, thirty years ago, used to praise the Teuton for his disinterested love of study, and hold him up as a model in such matters; in Germany, at least, the supply of authors always exceeded the demand, and there was no need of bounties.

Either we were all wrong *consule Planco*, or else German learning is changing like German trade. Professors Haeckel of Jena, Conrad of Halle, and Fraas of Stuttgart have recently been conducting a competition in which the first prize was £500, the second £250, given for the best essays on the principle of the scientific theory of Descent in its bearing on the development of the State and legislation. The best essay was judged to be that of Dr. Schallmayer.¹ The volume now before us contains the second winner's essay, published first because first ready for the press. It contains also a full and interesting account of the whole competition, including short lives of the winners, such as are given in English newspapers of the first half-dozen Wranglers in the Cambridge Tripos. Perhaps at a later date there may be space to consider the prize essays themselves, which are ten stout books of many pages. At present it will only be possible to touch briefly on Prof. Ziegler's introduction.

According to this, the essayists were not left without guidance. They were told (in a memorandum drawn up by the donor, p. 2, cf. p. 8) to treat the subject from the following aspects :

1. Heredity as the condition on which natural bent and personal qualities and character are presumed to depend, these being regarded as similar in all men till moulded into difference by family history and circumstances. The effect of such inherited differences on our view of social relations was to be considered. Note was to be made of the slow changes occurring through selection or (possibly) through transmission of acquired characteristics.

2. Adaptation and tradition in their bearings on education, custom, and law. The effect of economic environment was to be regarded, and particular attention was to be paid to population, technical invention, improvement of communication, and the influence of economic and literary ideas. The correspondence of law and environment was to be noticed.

Under the first head there was to be a description of what was meant by physical descent; under the second there was to be illustration from history; and the tendencies of thought among political parties were to be considered.

The essays were to be in German and arranged for the press, but not to be ready-made books. They were to be serious and scientific, and yet so written as to be "understood of the people." The original authorities were to be cited.

The names of the judges are a sufficient guarantee of fairness.

¹ See M. Castetot's reference in *ECONOMIC JOURNAL*, June, 1904, p. 258.

They were Prof. Conrad of Halle, Prof. Schäfer of Heidelberg, Prof. Ziegler of Jena.

There were sixty competitors, including one American, but no Englishman. Of the sixty essays, forty-five conformed more or less fully to the conditions and were carefully read by the judges. The only line of orthodoxy was that drawn (not unnaturally) against those who made light of the doctrine of descent and selection altogether. Otherwise the widest variety of points of view was tolerated; and the judges are not to be supposed to agree with all the winners any more than with one another (p. 10). Every form of political creed, for example, was advocated except the Ultra-montane (21). Conservatives, Liberals, Radicals, Spencerians, Socialists, all found support in Darwinism. There is a great deal of human nature among prize-essayists, even of the higher sort; and the picture given of it in Dr. Ziegler's introduction would repay a much longer study.

J. BONAR

NOTES AND MEMORANDA

TESTS OF NATIONAL PROGRESS

LAST year (ECONOMIC JOURNAL, September, 1903), I suggested that measurements of average wages, average tax-paying income, and amount of unemployment, interpreted by changes of the purchasing power of money and confirmed by records of consumption of necessities, were the best available tests of national prosperity. These tests are mainly on the consumers' rather than the producers' side; but it is submitted that the ability to afford to consume is a more final test than ability to produce.

To make the test more complete, we should also consider savings or additions to capital; but it is better to omit this item than to admit obviously incomplete criteria. At the same time, we must take care not to include consumption of capital as income.

Since last year I have made such estimates as existing material allowed of the test quantities suggested. At almost the same time as I published my study on the subject¹ Mr. Palgrave read a paper at the Bankers' Institute entitled, "An Enquiry into the Economic Condition of the Country."² It is, perhaps, not remarkable in the extraordinary controversy in which we have all been involved that, while the writers agreed that there was urgent need for a more searching inquiry, they differed alike in the estimates they took, the way they handled them, and the conclusions they reached. In the present paper, I wish to analyse these differences, except those which relate to our export trade, on which there seems nothing new to be said, and which has so indirect a relation to our productive power, that it cannot be made a test.

In discussing the progress over a given period, I should lay down the rule that statistical evidence can be admitted only when

¹ *National Progress in Wealth and Trade since 1882.*

² Published by John Murray, London, 1904. Pp. 32.

it extends year by year over the *whole* period; and in every series both the fluctuations and the trend must be considered.

Wages. For changes of rates of wages I have used the index-numbers I have published more than once, having compared them with the Board of Trade estimates, and allowing for the changes of occupation. For the average annual wages to which these rates should apply, I have taken the Wage Census of 1886, with supplementary estimates for trades not there included; I assume an absence of work due to holidays or sickness of six weeks per annum, and I assume that 10 per cent. of the working population are permanently in casual or irregular work at a rate averaging about half that shown in the Wage Census. A mis-estimate in these allowances has practically no effect on my general arguments; but any permanent proportionate change in the numbers in the casual army, or in the amount of "play," would affect them. The index-numbers are given in column 1 of the adjoining table.

The fluctuations are increased considerably, if we allow for unemployment due to slackness of trade. As the best measure we have, I have taken Mr. Wood's and the Board of Trade's unemployment figures, and assumed that the annual percentage average given represents the amount of work lost due to this cause. The unemployment figures are given in column 3; the effect on column 1 in column 3, and estimated total wages in column 4.

Income. I have made a very careful estimate, in which I have been greatly helped by the authorities of Somerset House, though my figures have in no sense any official sanction, of the total income, as known to the Commissioners, of those persons whose income is over the exemption limit. The abatements allowed for incomes below assigned limits are included in the estimate. The abatements allowed since 1894 for repairs under Schedule A are excluded, and corresponding reductions made back to 1860. Under Schedule B, I have taken nearly one-third of the so-called annual value throughout, making necessary adjustments. Double entries and other sums ultimately not found to be subject to tax are deducted. Life insurance is included. The income so obtained is very nearly that defined as income for purposes of taxation, and (except for the change in the exemption limit) comparable throughout the period without any serious error.

To the figures so obtained I have added (1), the traditional estimate of one-sixth for trade profits escaping assessment, and

(2), an estimate on the lines Sir R. Giffen has made familiar, for the returns from foreign investments, &c., not assessed, but (to

Years.	1. Average rate of wages. Index number.	2. Percentage out of work.	3. Corrected wage. Index number.	4. Total paid in wages. £ million.	5. Total income above exemption limit. £ million.	6. Total income adjusted for change in exemption limit. £ million.	7. Income relative to population. Index number.	Wages + income subject to tax.		10. Sauerbeck's index numbers of prices.	11. Wages + income corrected by Sauerbeck's numbers. Index number.	12. Consumption. Index number.
								8. Total. £ million.	9. Index number relative to population.			
1860	60	1.9	61	300	285	290	53	590	57	141	40	67
1861	60	2.9	61	300	315	320	57	620	59	140	42	67
1862	60	4.3	60	300	330	335	59	630	59	144	41	68
1863	62	2.7	63	310	355	360	63	670	63	147	43	70
1864	62	1.3	63	320	375	375	66	695	64	150	43	73
1865	64	1.4	66	340	385	385	67	725	67	144	46	71
1866	68	2.9	69	350	395	395	68	750	68	146	47	69
1867	68	4.9	67	350	400	400	69	750	69	143	48	70
1868	66	4.6	66	340	415	410	70	755	68	141	48	73
1869	66	4.0	66	350	445	445	74	795	70	140	50	77
1870	68	2.7	69	365	465	460	76	825	73	137	53	76
1871	71	1.4	73	390	500	490	81	885	77	143	54	76
1872	78	1.0	81	440	530	525	85	965	83	156	53	79
1873	86	1.1	88	485	550	545	88	1030	88	159	55	82
1874	83	1.5	85	470	560	555	89	1025	87	146	60	82
1875	82	1.9	83	465	540	560	89	1025	86	137	63	84
1876	81	2.6	82	460	545	560	88	1025	85	136	63	83
1877	80	3.0	81	460	535	555	85	1015	83	134	62	83
1878	77	4.3	77	440	525	540	83	980	80	124	64	85
1879	75	5.4	73	430	530	545	84	975	79	119	66	85
1880	75	3.3	75	440	545	560	85	1000	80	126	64	83
1881	75	2.2	76	455	560	575	85	1025	81	121	67	83
1882	77	2.2	78	470	575	590	87	1055	83	120	69	85
1883	77	2.2	78	470	575	585	86	1055	82	117	70	87
1884	77	7.4	74	450	570	580	85	1030	80	109	73	85
1885	76	0.0	72	440	565	580	83	1015	78	103	76	86
1886	75	9.5	71	440	570	580	83	1020	77	99	78	83
1887	76	7.7	73	455	585	595	84	1045	79	97	81	85
1888	80	4.7	79	500	610	615	87	1115	84	100	84	85
1889	82	2.1	83	530	635	640	90	1170	87	103	84	88
1890	84	2.1	86	550	635	640	85	1185	87	103	84	93
1891	86	3.5	86	555	640	635	87	1190	87	103	84	95
1892	87	6.3	84	545	625	625	89	1170	85	97	88	95
1893	87	7.5	83	545	615	630	85	1175	85	97	88	90
1894	88	6.9	85	560	630	645	86	1205	86	90	95	93
1895	87	5.8	85	580	650	660	87	1240	87	89	98	96
1896	88	3.4	89	595	675	680	90	1280	89	87	102	96
1897	89	3.5	89	605	705	715	93	1320	91	89	102	94
1898	94	3.0	94	650	730	735	94	1385	95	91	104	99
1899	96	2.4	98	675	760	765	97	1440	97	97	100	99
1900	101	2.9	102	710	790	790	100	1500	101	107	94	99
1901	100	3.8	100	705	800	800	100	1500	100	100	100	100

NOTE.—The numbers in columns 4, 5, 6 and 8 were worked to the nearest unit and then given to the nearest 5; in the other columns the nearest unit is given.

be on the safe side) have adopted lower figures than in previous calculations. It seems to me that the tax-collector has assessed

an increasing fraction of such income as the years have gone on, and the inclusion of the residue lowers the rate of increase in the total income dealt with. I do not think that my method can have included as income any capital withdrawn from abroad, and indeed I am rather of opinion that I have underestimated the increase of income from foreign sources. The results so far are given in column 5.

There remains the difficulty of the change of the exemption limit. It is customary to divide national income into three categories—1. Income paying tax, 2. Wages, 3. Other. I do not propose in this paper to make any estimate of this "other" income; it is at best a matter of guesswork, and would not increase the accuracy of the measurement. We must aim at making the parts included the same fraction of the whole national income throughout the period dealt with. I do not know that there is any reason for assuming that the part of the population included as wage-earners has changed its proportion to the whole; but the change in the exemption limit does introduce a difficulty of this kind. I have adopted a method which will, I think, remove any serious error. Average income and average wage are found, as it happens, to have increased at almost the same rate as the exemption limit when 1862 is compared with 1900, viz., an increase from 100 to 160. Now the exemption limit was raised from £100 to £150 in 1877, and to £160 in 1895, and a sudden drop was produced to the income total of about £30,000,000 at the first date, and £24,000,000 at the second. I have spread out these decreases over long periods. Thus, instead of leaving the fall of £30,000,000 about 1877, I have taken it off in thirty equal parts from 1865 to 1895: subtracting £1,000,000 in 1866, £2,000,000 in 1867, and so on, till 1875, and since 1875 adding £30,000,000 yearly, subtracting in succession £10—£11,000,000 till the whole was neutralised. The 1895 reduction is spread out in the same way over 1888—1900. The result of these corrections, which are not large except near the dates of change, and are nil in 1864 and 1900, is to give approximately the total income of those persons whose income was, year by year, above a minimum rising from about £100 in 1860 to £160 in 1900. These persons form the same proportion of the whole population, if the general distribution of income has remained unchanged, while its average has increased; that is, if we assume that the general curve representing income (say on Prof. Pareto's plan) has kept the same shape, while the scale on which incomes are measured has so

changed that £160 is now represented on the unit which represented £100 in 1860. This appears to me to be the first approximation to the facts, to be sufficiently correct for short periods, and not far wrong over the whole forty years. The necessary corrections would be worth investigation if adequate material could be found.

In this connection, I should like to say that the reports of the Inland Revenue Commissioners do not, as a matter of fact, contain the material for studying the distribution of income (the numbers of persons receiving particular amounts) adequately, and it appears that at present the necessary information is not collected, many important data being left untabulated in the surveyors' districts. It would no doubt be possible, if the necessary arrangements were made and money found, for the Commissioners to collect, tabulate, and explain information on this important question. I should also like to warn any who propose to use the income tax returns, that they are full of concealed pitfalls and that it is unsafe to travel in those regions without a guide. By too great confidence in the literal meaning of the words "gross income," I have been in the habit of estimating national income at about £100,000,000 too much; and by assuming that the same meaning was to be attached to the phrase in successive years, I found that average income had increased 38 per cent.¹ when the five years, 1897-1901, were compared with 1882-6; whereas in the corrected figures, here given, the increase is only 30 per cent. Perhaps my mistake (which, after all, did not affect my argument) is pardonable, as I was following the advice of the Inland Revenue Commissioners themselves (46th Report, p. 172): "It is by the figures of gross income that national prosperity is to be measured."

Column 6 shows total income thus corrected, and column 7 the changes, relative to the population, in the form of index-numbers.

The figures here shown should be compared with those given by Mr. Palgrave at the beginning of his paper, viz. :—

INCOME TAX, 1843-1901.

Produce per head of the population, in pence.

1843.	1851.	1861.	1871.	1881.	1891.	1901.
6·93	6·90	9·30	12·10	13·17	14·23	14·65

I should explain that I antedate the income tax returns, taking those for 1890-1, *e.g.*, to apply on the average to the year 1889,

¹ *National Progress in Wealth and Trade*, p. 16.

because of the various regulations for returning the average of the three previous years in trades and professions and so on, and for this reason my statistics stop at 1901. For comparison Mr. Palgrave's figures should be antedated two years. Mr. Palgrave shows in his diagram and table the return per 1*d.* in the £ tax, relative to the population, in each of the Census years. He pays no attention to any of the changes in method of assessment.¹ nor to any of the important fluctuations in inter-censal periods. I fully agree with him that money income increased with great rapidity previous to 1871, and less rapidly since; and, in fact, the table below, which takes in all the years, emphasises the stationariness of income, say, from 1879 to 1893, much more than his which relates to occasional years. This change is dealt with below. But I do hold that the remissions in 1895, which he deliberately puts on one side as unimportant, make the greatest difference to his argument. The remissions are estimated by the Commissioners as losing £200,000 per 1*d.* tax, and there seems no reason for disputing this estimate. When this is not allowed for, the increase in Mr. Palgrave's diagram, 1891-01, is less than that in previous decades; when allowance is made the last step is the greater. Now, as regards the last thirty years, Mr Palgrave's argument depends on a slackening of the rate of increase, while my table, which has, at least, the merit of making allowance for all known reasons of error, shows very rapid progress since 1894.

Total wages and total income above income tax limit are added, and given in column 8, and an index-number relative to population of the two together is given in column 9. The wage index and the income index, though compiled from absolutely independent sources, each with its own risks of error, agree in general trend and in dates of change in a most satisfactory way. The years of maxima and minima coincide; the great increases culminate in 1873 or 1874; the last rises begin in 1893 and are of the same magnitude. The allowance for unemployment distinctly helps to make this agreement, as it should; for rates of wages are likely to stick in times of depression, while income, profits, and employment fall. The main difference is in 1886-1890, when wages seem to have recovered more rapidly than income. The figures have, no doubt, greater accuracy for comparisons over short than over long periods. The change about 1874 is seen very conspicuously, and I suggest that this change is mainly a price phenomenon. If we take Sauerbeck's index-numbers (column 10), and compare them with the

¹ See note at end, p. 465.

national income index-numbers, we find that the movements of the one are correlated with the movements of the other. Suppose now that Sauerbeck's numbers are really the reciprocals of the purchasing power of money, and correct the national income on this hypothesis, we obtain a nearly smooth regular continuous curve from 1860 to 1895, as shown by the numbers in column 11. Though opinions will differ as to how far this complete process is justifiable, no one will, I think, deny that some part, at least, of the correction must be made. The slackening of progress in the last thirty years then tends to disappear, or disappears. When prices fall, real income is redistributed, some persons getting the full or more than the full benefit of the fall, and others getting very little, and conversely for the rise. These wholesale index-numbers apply, presumably, to only part of private income, and exaggerate both the fall and the rise of the purchasing power of money in private hands. These considerations do not affect the general trend of the index-numbers or greatly affect its regularity. I would suggest, however, that the true measurement is between that shown by the index-numbers of national income in money and the same corrected for prices.

Perhaps we ought to smooth off the fluctuation shown in 1898—1901. The Board of Trade retail price figures, though in general they move with Sauerbeck's, do not show this rapid vibration. In any case, it is too recent a phenomenon for us to deal with; we cannot yet tell, nor is it within the province of this paper to discuss, the tendencies of the most recent years.

The general view that progress has been nearly continuous and that the true index is between the corrected and uncorrected numbers, is strongly supported by the index-numbers indicating the consumption of common commodities. Included in this group are wheat, flour, tea, cocoa, coffee, meat, sugar, currants, rice, tobacco, wine, spirits, and beer. They are obtained from Mr. Wood's well-known calculations by the omission of wool and cotton, and are brought up to date on his methods. They suggest that the diminution in times of depression is less than that shown by the national income index, but more than when the price correction is made.

If the test I propose is accepted, the question arises, how is it that such different conclusions are obtained in Mr. Palgrave's paper referred to above? I should like to indicate the reasons why I cannot accept the methods there used. I have already dealt with the income tax returns in detail. The second count is that the deposits in the savings bank have not, since

1897, increased so fast as formerly. It would be indeed astonishing if the rate of increase had been maintained, for the amount due to depositors was doubled between 1888 and 1897. Surely the explanation is to be found in the rate of interest offered, as compared with the interest on Consols; 1897 was the year of their highest average prices. Apart from this, it is quite useless to take savings bank investments alone, when they form so small a part of the national investments, and by no means the whole of working-class savings.

Next we learn that deposits in the banks of the United Kingdom fell off £19,000,000 (2 per cent.) in 1903, as compared with 1902. I do not know which date we are to consider as the beginning of our retrogression. Deposits in 1903 were 10 per cent. higher than in 1897, during which period there was this slackening in the savings bank. We have only, I think, full statistics for ten years; they are as follows, in millions:—

1894.	1895.	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.
£721	795	798	816	838	869	890	888	904	885

A very great rise (25 per cent.) had been followed by a slight fall (2 per cent.).

The next count is that we import less raw materials. But only the value is considered. It is well known that our consumption of cotton, wool, iron, and coal has, when measured in quantity, increased, at least as rapidly as the population in the last twenty years. I do not deal with the exports.

Lastly, we are told that the proportion of the population employed in the fifteen principal trades dealt with in Cd. 1761 was less in 1901 than in 1851. This tendency was most marked before 1871, and has been reversed since 1881. Agriculture is included, while the numbers in the remaining fourteen occupations have increased step by step with the population throughout the fifty years, but the remarks made by Mr. Palgrave deal entirely with manufactures. No one seriously maintains that a larger body of persons is permanently unemployed now than at any previous period, and the question is one of the shifting of occupations, and is not affected by the mere statement of the total in selected occupations at widely differing dates.

In his introduction Mr. Palgrave remarks that "These influences have been operative for many years. They are shown to be progressive and to be continuing." The following dates have been taken by him as the starting point to measure the slackening of progress: incomes, 1871; savings bank, 1897; deposits, 1902; imports of raw material, 1859—60; occupations,

1851. I do not think that any argument can be sustained which starts from so many different premises. The author appears to hold the theory that the curve representing national progress is concave since 1871, that, though still rising, it is rising more slowly. This cannot be maintained by the consideration of a group of insufficient tests, which deal with arbitrary parts of this period, especially when no attention is paid to the difference between temporary fluctuations and long period trends in the series dealt with.

Finally, Mr. Palgrave admits that there are "many other subjects connected with our economic position" which "have not been included; but had they been they would not have altered the main results shown." I offer the evidence in the foregoing table in disproof of this statement. None of the tests I have taken show any progressive slackening; on the other hand, they show rapid and continuous progress, if the full correction for price is admitted; while, if it is not admitted, there has been a most wonderful development between 1894 and 1901. I offer no opinion as to the course of affairs in the last three years.

In conclusion, I should like to amend the estimate I have recently offered of total national income.¹ It appears on the basis of these calculations to be rather over £1,700,000,000 in 1901—the estimate Sir R. Giffen gave at Southport last year. I had thought it greater by £150,000,000 to £200,000,000, but I had not realised on the one hand that under the heading "Gross Amount of Income brought under the Review of the Inland Revenue Department" were included very large sums which are not income at all; nor that the wage estimate (in which I followed Sir R. Giffen's estimates in 1891) assumed fifty weeks' work per year, with no allowance for the army of incompetents. I now think it safer to bring down my estimate of the total by 10 per cent., and hazard a guess that the national income is not far off £1,800,000,000. It is fortunate that none of the conclusions I offer to-day depend on these estimates—doubtful to the extent of £100,000,000—but rather on the careful use of index-numbers, in which the effect of the unknown elements is almost completely eliminated.

A. L. BOWLEY

NOTE (to page 462).—With reference to the statement on p. 462, Mr. Palgrave explains to me that he considered the transfer from investments on mortgage (which in many cases do not appear in the Schedules) to investments in debentures (which do appear), and the increased assessment of profits from investments abroad, to counterbalance the remissions in 1895. I have no means of estimating the effect of the first of these considerations; the second is allowed for in my estimates.—A. L. B.

¹ *Loc. cit.*, p. 17.

"CONSTRUCTIVE ECONOMICS."¹

MR. GARVIN, from whom this title is borrowed, thinks that "*laissez-faire* attempted political economy with the politics left out." He accordingly puts it in again and leaves out the economics. The result is well displayed in this sentence: "Two and a half per cent. wrung from the prosperous pockets of those who now send every year £140,000,000 of wholly and partly manufactured goods into this country would cover every year the complete cost of three new battleships." Constructive economics, it seems, will perform the miracle of making the foreigner build the navy with which he is to be wiped out.

Mr. Garvin's politics are of the stupendous kind. "Pan-Americanism" and "Pan-Germanism" are the spectres that affright him, or the bogeys with which he seeks to frighten others. Astute Americans take to wheat farming in Canada, enthusiastic Germans dream of incorporating Holland and Austria; Mr. Garvin calls on patriotic Britons to seek a way of escape in constructive economics.

Construction is based on destruction, and Mr. Garvin's competency to build may be illustrated by his attempts to destroy. It should be understood that he is avowedly attempting to create a theoretical basis for the suggested alterations in our fiscal policy. He scouts the notion that they are unsound economics. It is not with him, as with Mr. Balfour, a question of a possible collision between Free Trade and greater issues. In his view the policy of 1846 was a disastrous departure from the national policy inaugurated by Elizabethan statesmen, and the sooner we return to it the better. The belief that it was a sound policy involves a theory of the stupidity of our ancestors, whereas, we are told, "Bacon, in the discussion of economics, could have given J. S. Mill a very bad quarter of an hour." Mr. Garvin clears our ancestors from the charge of stupidity by implying that our fathers were rare fools!

The complicated question as to the incidence of import duties is settled by a mere *ipse dixit*: "the foreigner will pay the tax, or we shall take the trade." This dictum is blandly described as "clearing away the sophistical superstructure of economic platitude," preparatory to a frontal attack on the fundamental fallacy that imports must be balanced by exports. Instead of

¹ "Principles of Constructive Economics as applied to the maintenance of Empire": a paper discussed at the Compatriots' Club on April 22, and printed as a supplement to the *National Review* for May.

this, Mr. Garvin deviates into a denial of the fantastic statement, which is treated as an integral part of current economics, that if exports balance imports there must be equal benefits conferred upon both sides of the trade. Later on, having forgotten that it was a "fallacy," he distinctly accepts it as a "fact," that every import must develop a corresponding export, but adds, "it would, of course, be utterly false to say that our manufactured imports stimulate by their increase our manufactured exports." It would be equally false to say that they do not. Pure theory, of course, can trace no connection between them, being obliged to ignore that classification of imports which is the gospel of the new Protection. Facts, however, aid us a little; throughout all the changes of the German tariff since 1881 the imports and exports of manufactures almost invariably rise and fall together.

Of Mr. Garvin's extraordinary dealings with Mill's "heretical paragraph," the only remark that need be made is that, like all of his class, Mr. Garvin is careful not to quote it in full—a proceeding which is beyond the needs of comment.

Mr. Garvin also quotes portions of the Merchants' Petition of 1820, and gives his answers in parallel columns. The merchants state that, for a nation as for an individual, the best policy is to buy in the cheapest market and sell in the dearest. Mr. Garvin comments thus: "We may revise this famous principle as follows: Buy in the fullest market and sell in the largest." He forgets that previously he had half revised it thus—"Buy in the cheapest market and sell in the biggest." Normally, it is obvious that the fullest market is the cheapest, and the largest the dearest. To "revise" a formula by substituting synonymous terms is not a new proceeding. What is new is to find the author of so common a trick regarding it as a masterstroke of argument.

When Mr. Garvin begins to construct it is disappointing to find that his elaborate terminology only serves as a thin disguise for doctrines that are familiar, even hoary. The "first positive principle" is done with in a flash—"tariffs for tariffs." The "foundation principle" may be found in any decent shilling textbook—"the larger the output the lower the cost"—whence the weighty doctrine is deduced, "the larger the output the larger and cheaper, relatively, the export surplus." Separated from the hysterical politics with which they are involved Mr. Garvin's economic doctrines are as follows:—

(1) The State must become the commercial brain of the nation; a national tariff may be contrived which will produce certain benefits and avert certain evils; there is no *laissez-faire* in

commerce; international trade is a war in which tariffs are the weapons. The answer to all this lies in the appeal to experience. The actual motive of all tariff changes is sectional, not national, interests.

(2) The power of nations is the main factor in increasing the wealth of nations; the chief advantage of a national tariff is that it creates aptitudes. The classical economists apparently gravely erred in their analysis of production—omitting warships and taxes. The answer to this doctrine would require either a volume or a monosyllable.

(3) Constructive economics narrowly scrutinises the quality as well as the quantity of our international trade; the vital point is what you exchange for what; the great practical aim is to import the minimum percentage of manufactures and to export the maximum; if an import is a competitive manufacture, something that might conceivably have been made at home, it is *ipso facto* a curse. Mr. Garvin illustrates this doctrine as follows: Germany makes £1,000 by sending competitive manufactures into England. We make £1,000 by sending them coal, "but may simultaneously lose £1,000 through injury to some collateral industry by the German competitive import." He evidently believes that his national tariff would enable us to keep the coal and make the goods into the bargain. It would be unreasonable to fill these pages with refutations of such crude fallacies. Throughout Mr. Garvin writes as if the one object of our national existence was to import raw material and export manufactures. It has apparently never occurred to him that when an article has once left our shores a foreigner consumes it. If by some miracle our imports remained constant, while our exports sank to zero, Mr. Garvin would cry out that we were being ruined, whereas we should soon be choked with wealth. We are kept poor by the unpleasant necessity of having to export to pay for our imports. Mr. Garvin habitually overestimates not only the total efficiency of Protection, but the relative importance of our foreign trade.

(4) Mr. Garvin's determination to be downright at last lands him in the following propositions: "Under Free Trade a country cannot have new industries; if Protection, as Mill admitted, raises you from a lower to a higher plane of economic life, the level at which you can be legitimately expected to stop is beyond the competence of any Cobdenite to define."

GEORGE W. GOUGH

THE LATEST CHAPTER IN THE HISTORY OF TRADE UNIONISM.

WHEN a Parliamentary vacancy now occurs in any industrial constituency party managers have to ask themselves the question, What will be the action of the Labour Party? Here we have a political group already receiving subscriptions from nearly a million members, and determined to be independent of both Liberals and Conservatives. To the student of economics it is especially important, as its distinguishing characteristic is its economic policy.

The events which have led to the formation of the new Labour Party afford an example of the successive periods of fervid enthusiasm, gradual moderation, and final compromise through which most popular movements pass. "The Trade Unions in Great Britain are the greatest bulwarks against Socialism." Twenty years ago such a dictum as this was a commonplace. How has it come about that now Socialists and Trade Unionists are found working together in a combined party?

Readers of Mr. and Mrs. Webb's history of Trade Unionism will remember that they leave their subject at the height of the controversy between the "Old" and the "New" Unionists. It was not until the London dock strike of 1888 that the New Unionists were regarded as a serious force. Now, however, men who had conducted to success a strike which stirred the sympathy of the public on both sides of the globe, who had succeeded in organising unskilled trades which had been untouched by the Old Unionists, and who had added about 200,000 men to the ranks of Trade Unionism, could no longer be dismissed as youthful visionaries. It was at this period that the differences between the two schools were most sharply defined. Since the newly-formed Labour Party represents a compromise reached after nearly ten years' conflict, the questions in dispute should be clearly understood. Some of these concerned only the inner organisation of the unions, such as the controversy on the wisdom of friendly benefits. In wider questions, however, there were two main points at issue.

The first was that the older school distrusted appeals to the State, while the younger stood for a somewhat aggressive Socialism. The group of middle-class sympathisers, Mr. Frederic Harrison, Professor Beesley, Tom Hughes, and others, who had assisted the Unions to win the "Trade Union Charter" in 1871 and 1876, consisted mainly of individualistic Radicals. The older

leaders were naturally impressed by the views of those who had stood by them in the "heroic" period of Trade Union history. In the struggle over the "Trade Union Charter," moreover, they had adopted the *laissez-faire* position, and argued that the State should not interfere with their freedom to bargain collectively. The New Unionists, on the other hand, led by Mr. John Burns and Mr. Tom Mann, were, as is generally known, State Socialists of the most advanced type.

The second question in dispute arose naturally out of the first. The Older Unionists wished their representatives in the House of Commons to act as an integral part of the Liberal Party. The younger school, whose Socialism had little to expect from Liberal politicians, fought for the formation of an independent party. This is the point at which the history of the movement is left by Mr. and Mrs. Webb. The means by which these opposing forces have been welded into a united Labour Party forms the latest chapter in the history of Trade Unionism.

Before any approach to compromise could be made it was, of course, necessary that the two schools should learn to regard each other with greater tolerance. Gradually, it became evident that the bitterness of the first encounter was being forgotten. The New Unionists, in particular, grew more moderate as their power increased. Many of their leaders resigned their membership of the Social Democratic Federation, which had led the way in introducing Socialist theories into the Trade Unions. This organisation, however, directed by disciples of Karl Marx, adopted an irreconcilable policy which, with the growth of a more moderate spirit, robbed it of its commanding influence over the younger Unionists. Its place was taken by the Independent Labour Party, formed in 1892 to preach Socialism from a less uncompromising standpoint.

Meanwhile, it was becoming increasingly evident each year that the future was with the younger school. Official positions fell more and more into the hands of the New Unionists. For three successive years the chairmanship of the annual Congress was held by members of the younger party, who created much irritation among their seniors by preaching their doctrines from the presidential chair. At last, at the Plymouth Congress of 1899, a decision was reached which called the new Labour Party into existence. A resolution was moved that a conference of "Co-operative, Socialistic, Trade Unions, and other working organisations" be held "to devise ways and means for securing the return of an increased number of labour members to the next

Parliament." The resolution was carried by 546,000 votes to 434,000. The numbers may be taken to indicate the relative strength of the two schools.

The conference was held in February, 1900, and resulted in the formation of the Labour Representation Committee, consisting of representatives from Trade Unions and Socialistic societies. From this time forward the work of organising the new party proceeded rapidly. Its adherents, however, would probably acknowledge that its unlooked-for growth has been due to forces which they themselves did not set in operation. At first, indeed, it did not seem probable that the Labour Representation Committee would represent the majority of Unionists; for there was, of course, nothing to compel the older school to join it. At its first annual Congress, in February, 1901, 376,000 members were affiliated to it. At the second, in February, 1902, it could claim 470,000 members. Now, however, we come to the series of events which have pushed the new party rapidly to the front.

In the middle of the previous year the House of Lords, by its now widely known judgment in the Taff Vale Railway case, had abolished the hitherto undisputed privilege by which Trade Unions could not be sued. The railway company followed up this victory by suing the Amalgamated Society of Railway Servants for acts committed during the Taff Vale strike. The Society settled the suit privately by paying £23,000, a sum which absorbed about a twelfth of their accumulated funds. Had it not been for the judgment delivered by the House of Lords no action at all could have been brought. Trade Unions, therefore, suddenly learnt that their funds had been laid open to enormous drains from a source against which they had hitherto been absolutely secure. We can well understand that there was no exaggeration in the report of the Huddersfield Congress that "this one case puts in the shade every other in the Trade Union movement and the public Press of the country at the present moment and for some time past."

This series of events influenced the Older Unionists where general arguments might have failed. By February of last year the members affiliated to the Labour Representation Committee had sprung up to 861,150, an increase of 83 per cent. in a year. During the by-elections which have occurred within the last two years, the Committee has put forward six candidates, of whom three have been returned to the House of Commons. Forty-eight candidates have at present been selected for the next General Election.

The new party has been described as a compromise between the Old and the New Unionists. What is the basis of this compromise? This can be seen by examining the proceedings of its annual conferences. The Old Unionists have completely given way on the question of forming an independent party. The resolution passed last year, and now generally known as the "Newcastle" resolution, pledges the candidates and members of Parliament attached to the Committee to "strictly abstain from identifying themselves with, or promoting the interests of, any section of the Liberal or Conservative parties." The New Unionists, on their part, do not insist on definitely pledging their members to Socialism. A resolution was moved at the first annual conference asserting that "the final object of all democratic effort must be . . . the creation of an Industrial Commonwealth, founded upon the common ownership and control of land and capital," and was rejected without a division. That this rejection did in reality represent a compromise, was shown by the withdrawal of the Social Democratic Federation, the organisation containing the irreconcilable Socialists.

Although, however, the party shows its tactical wisdom by not pledging its members to any dogma, it would scarcely be denied that collectivism will be the foundation of its policy. One cannot read the reports of the annual Trade Union Congresses without realising that the one common principle which binds together the various resolutions on social policy is that of collectivism. Moreover, the real source of the enthusiasm and the stern sense of discipline which dominates the new organisation is to be found in the Independent Labour Party—a body of avowed Socialists. The leaders of British Socialism, however, evidently realise that their wider schemes—such as the nationalisation of land, mines, or railways—are too far out of sight to be emphasised at present. Their immediate demands therefore may be expected to be comparatively moderate, and will not commit their advocates to the full programme of Socialism. Old-age pensions, the taxation of site values, legislation dealing with housing, with the unemployed, and with the legal position of Trade Unions, and other proposals already advocated by many Radical politicians will keep the party employed for years enough to come.

The importance of the new party to the economic student is now evident. Its intention of "raising the condition of the people as a distinct issue" must be supported by some sort of economic reasoning. In fact, the speeches of Labour leaders, however they may impress the professional economist, already consist largely of

attempts at economic analysis. Professor Marshall has lately made an appeal for "a larger number of sympathetic students, who have studied working-class problems in a scientific spirit." The need is rendered more urgent by the entrance of this new force into our national life.

H. B. LEES SMITH.

NOTE.—Since some of the internal difficulties of the new Committee have been lately brought before the readers of the *Economic Journal*, an explanation may make the situation clear. It has been pointed out that many of the Older Unionists did not join the Committee because of any radical change in their opinions, but under the stimulus of the Taff Vale judgment. It is not surprising therefore that they should betray a continual tendency to forsake a position taken up for a somewhat inadequate reason. These Labour leaders are undoubtedly in a false position. They cannot consistently belong to an organisation founded upon a basis of rigid independence and at the same time work in conjunction with any section of either of the two older parties. The disputes in which they are involved can, therefore, have only one ending. The rebellious members will be compelled to either leave the Committee or obey its fundamental rule.

LETTER FROM JAPAN.

I.—War Budget.

THE origin, object, and justification of our war with Russia are so evident that it is useless to dwell upon them. Japan awaited patiently a peaceful answer from Russia for many months. But when the hope of peace vanished, she prepared actively for war. The economic losses borne by her during the long suspense were beyond conception, such was the spirit of depression and non-activity prevailing throughout the country. Accordingly, when by the rupture of diplomatic negotiations the question was decided, a great relief was experienced by the country, and especially by the masses. Everyone was satisfied. The only question left was how to meet the expenses of the war.

Some upheld the view that all the supplies should be raised by borrowing, without taxes, and some just the reverse; but the Government took up the fair and wise policy of using both means. However, the temporary measures taken in February, to bridge over the pressing necessity until the assembling of the Diet, form an exception. The whole of the expenses already appropriated,

amounting to 156,000,000 yen, were to be met by advances and loans, such being unavoidable under the circumstances.

	Yen.
Advances from special resources ¹	25,000,000
Short loans... ..	81,000,000
Treasury bonds	100,000,000
Total	156,000,000

When the Diet met in March, the War Budget was presented by the Government, the sum total of the scheme being:—

EXPENSES.	Yen.	RECEIPTS.	Yen.
Expenses of the war... ..	380,000,000	Increased taxation	68,000,000
Reserve fund	40,000,000	Retrenchment and post- ponement	47,000,000
		Advances from special re- sources	25,000,000
		National debts and short loans	280,000,000
	420,000,000		420,000,000

Although the Diet was ready to give unconditional support to the Government, some slight deduction was deemed expedient, the comparison of the Government scheme and the amendment being as follows:—

	Estimated.	Amended.
	Yen.	Yen.
Land tax	25,943,918	23,936,213
Income tax... ..	5,287,315	5,287,315
Profession tax	5,036,199	5,036,199
Tax on sake	178,484	178,484
" " exported from Okinawa	5,398	5,398
" soy	1,138,952	1,138,952
" sugar	7,402,317	8,212,382
" mining	79,115	79,115
" exchanges	532,846	532,846
Customs duties	1,779,010	2,330,633
Tax on salt	2,836,791	Cancelled.
" silk stuffs	4,183,885	"
" woollen stuffs	2,138,661	2,138,661
" kerosene oil	1,115,875	1,238,599
Stamp duty	3,652,749	3,620,797
State monopolies	7,061,925	8,466,285
Total	68,373,440	62,201,879

¹ In this are included State railways, Government factories, and various funds, which are described in the ECONOMIC JOURNAL of September, 1902, in the "Letter from Japan" (p. 435 et seq.).

The deduction in taxation of about 6,000,000 yen was thus made good.

	Yen.
Increased taxation	62,000,000
Retrenchment and postponement	48,000,000
Advances from special resources	80,000,000
National debts and short loans	280,000,000
Total	420,000,000

If to this we add the ins and outs of the temporary measures, the total comes up to—

EXPENDITURE.		RECEIPTS.	
	Yen.		Yen.
Expenses sanctioned by temporary measures ...	156,000,000	Increased taxation	62,000,000
Expenses of the war... ..	380,000,000	Retrenchment and postponement	48,000,000
Reserve fund	40,000,000	Advances from special resources	55,000,000
		National debts and short loans	411,000,000
	576,000,000		576,000,000

II.—National Debt.

The burden of increased taxation is far from being too oppressive. The retrenchment and postponement of 48,000,000 yen, out of the total annual expenditures of about 250,000,000 yen, is not an insurmountable difficulty. The advances of 55,000,000 yen from various special resources is a still more easy affair, when we consider that the total fund owned by them comes up to nearly 110,000,000 yen, not including their so-called fixed capital of about 150,000,000 yen.

The last and the largest item is the National Debt. Of course the Bank of Japan is able to advance any amount of short loans to the Government. But, after all, they must be paid back with the money obtained by the flotation of funded debts. The first call was made in March for 100,000,000 yen, the terms being as follows :—(1) The Bonds are of seven kinds, of 25, 50, 100, 500, 1,000, 5,000, and 10,000 yen. (2) The Bonds are redeemable in five years from the date of issue. (3) The interest is 5 per cent. per annum, and shall be paid half-yearly in June and December. (4) The minimum price of the Bonds is 95 yen per 100 yen face value. (5) Subscriptions for less than 200 yen and those putting up the price above 95 per cent. shall not be abated. (6) Subscription received from 1st to 10th of March. (7) Allotment will be made on or before 21st March. (8) Payments to be made in eight

instalments, between March and November. The patriotism of the people made the result far better than expected, the amount being over-subscribed nearly five times. Moreover, 51,573,875 yen being taken up by small subscriptions, and 33,439,675 yen being covered by those who were ready to pay more than 95 per cent., only 4-100 of the total amount was allotted to general subscribers.

Thus it is clear that ample room is left for the further issue of internal loans, and when we consider that Japan, with her population and resources, has not more than about five hundred millions yen debts, of which those placed in London are less than 200,000,000 yen, it is evident that external financial aid can safely be given, in case she requires it for the fulfilment of her desires, which are nothing else than her own preservation, the peace of the Orient, and the extension of international trade.

Some such aid has, in fact, been obtained in London and New York. The essential points about the new loan are reported as follows :—(1) £10,000,000 of Sterling Bonds are issued at £93 10s. per £100 in London and New York, £1 being made equivalent to 4·87 U.S. \$. (2) The rate of interest is 6 per cent. per annum. (3) Although the bonds are redeemable in seven years, yet after the lapse of three years they can be paid back at any time, provided six months' previous notice is given. (4) The matured coupons and certificates of redemption can be used in the payment to the Imperial Japanese Customs at the rate of 2s. 0½d. per one yen. (5) The redemption of the bonds is secured as the first charge on the Imperial Customs revenues.

III.—Yellow Peril.

With "men, ships, and money," Japan may be sure of succeeding in her aspirations. But possibly it may be feared that success will make her too powerful. Such a fear is quite vain, and nothing is so groundless and ridiculous as the talk about "the yellow peril," "Asiatic hordes," and the like. The sole aim of Japan is to preserve herself. For her safety the integrity of Korea and China is a matter of vital importance. Moreover, the so-called Chinese "open door" is necessary not only for the Japanese trade but for that of all nations. If any aggressive, despotic, and warlike Power is firmly seated in Manchuria, the trade of the world will be hampered and restricted, people will be oppressed and kept in ignorance, and the peace of the Far East disturbed at the will of ambitious monarchs and greedy generals. Therefore, what Japan is now doing, with enormous loss of life

and money, is to clear the field for the rest of the world, opening a big market for their goods,

By all means the Chinese market must never be allowed to be closed to the commercial world, and if any Power threatens to disturb or close it, all mercantile nations must act together for its safety and preservation.

IV.—Reforms in China.

Though a little out of place a few words about the reform of Chinese currency may not be useless.

In China, there exists no money in the strict sense of the term, silver bullion and copper coins being used as the medium of exchange. The great inconveniences resulting from this not only cause loss to the Chinese, but greatly affect the foreigners who have commercial relations with China. Moreover, by the fall of the price of silver the burden of the Chinese Government, in respect of the payment of the indemnity, is becoming heavier. Such are the reasons why we must now establish a stable monetary system in China, to be enforced throughout the country. The following points are desirable to be observed in the carrying out of the reform :—(1) The coinage and the issue of money shall be monopolised by the central Government. (2) A gold monometallism shall be adopted. At first it may be begun from the open ports, to be gradually extended to the whole country after certain years. (3) Both the standard gold coins and the subsidiary silver coins shall be, if possible, similar to those of Japan. (4) The present Chinese and foreign silver coins as well as several copper coins shall be prohibited after certain years. These coins may be purchased at their intrinsic value, and used for the recoinage of new subsidiary coins. (5) The central bank shall be authorised to issue convertible notes and be empowered to act for the unification of currency, and the consolidation of public debt, and to take over the receipt as well as the disbursement of Government money. (6) In case the gold production of China or the fund to purchase silver bullion is not sufficient, the loan for carrying out the new system may be raised abroad.

Now is the time, when there does not exist any "monetary system" in China, to carry out the required reform, thereby avoiding future difficulties and present anomalies. The reform of the monetary system in China is a question not only for the country itself but for the rest of the world. Unhappily, as the

condition of that country does not permit the carrying out of the reform with its own unaided hand, we must give assistance to the Government, to make good the present state of finance which is greatly corrupted and hopelessly confused.

Even China herself is now feeling the inconveniences of her deranged system of currency. By her appeal the plan of reform was taken up by the United States Government, and Prof. Jenks, one of its Commissioners, visited Japan before he went over to China. At his request a special committee was appointed in Japan to discuss the plan propounded by him, which was to issue a uniform silver coin to be circulated throughout China. The views of the Japanese Committee seem to have been more or less divided, some going in for pure silver-monometallism, and some for that of gold. But after all, the majority entertained a compromise view which may thus be summed up:—"Although it is advisable to let China adopt a gold standard on the same lines as Japan, yet if it were difficult to do so at once and at present on account of prevailing circumstances, the issue of uniform silver currency may be far better than to leave the country in the chaos which prevails at present. At the same time any artificial means of keeping up the price of silver is futile and difficult to carry out."

Political and economical reforms in China are the first requisites for her integrity and prosperity, which are again necessary for the advancement of her foreign trade. Japan has no other ambition than to see China unmolested, preserved, reformed, and progressing. Consequently, those nations whose aim is peace and commerce must give moral support to Japan in her contest against aggression, despotism, restriction, and darkness.

V.—Future Forecast.

The final outcome of the war is difficult to foretell. But this much is certain, that Japan is ready to fight out the war by herself till she brings Russia to reason, and gets sufficient guarantees for the integrity of China and the safety of Korea, as well as the "open door" for the commerce of the world. Much time, life, and money may be required before the desired result is arrived at. For this Japan is not only fully prepared in respect not only of military and naval forces but also financial requirements. Thanks to her having obtained supremacy on the sea, her trade, foreign and domestic, is carried on as usual. Therefore, however long the war may drag on, she has nothing to fear. Not only that,

but both her Government and people are devoting their attention to retrenchment of expenses on one side and expansion of productive power on the other.

As an example of economic activity, just a passing account of the newest bank established by the Government may be given. The Nipponikogyo Ginko, or the Industrial Bank of Japan, which was denominated Japan Credit Mobilier in the previous letter, and the establishment of which was much delayed, commenced its business in April, 1902. Its capital is ten million yen (about £1,000,000), divided into 100,000 shares, held by the Imperial Household, and by many wealthy people of the country. It chiefly deals in (1) Public securities, as well as general stocks and shares. (2) The custody of deposits and goods placed under its care. (3) The business of a trust company.

The bank, by force of a special Act, is placed under the direct supervision of the Government, and is empowered to issue debentures to the extent of five times its paid-up capital, and the Government guarantees a dividend of 5 per cent. on its shares during the first five years of its establishment. The fact that applications for its shares covered three times the prescribed number in a single day, would go to show that the public place the greatest confidence in the bank, and that its establishment was most timely for the purpose of supplying the funds necessary for industrial undertakings, and for serving as an important organ of bringing foreign capital into the country. This function was first fulfilled by the sale in October 1902, of 50,000,000 yen of Government Bonds in London.

When the present war is over, activity will be called forth in commerce and industry, causing great increase in the demand and supply of capital. Then this bank must be found useful, both to those who are in need of capital, and to those who are in search of the best and safest way of investing their capital. Among others the utility of the bank must be greatest to foreign capitalists, as one of the chief aims of the establishment of the bank is to give information, facility, and safety to foreign capitalists.

JUICHI SOYEDA

(Correspondent for Japan)

THE TREASURY, TOKYO,
May 10, 1904

RECENT OFFICIAL PAPERS

The Thirty-fourth Annual Report of the Deputy-Master of the Mint (1903). . . . [C^d. 2,137.]

Is distinguished by an estimate of the amount of gold in circulation, made by Mr. T. K. Rose. On the assumption that the condition of the sovereign currency has been maintained without improvement or deterioration for the last five years, the mean annual cost of maintenance has been £9,420, also the mean annual loss on a sovereign proves to be 0.05d. The amount maintained is therefore £45,216,000. A like calculation gives for the value of the half-sovereigns in active circulation £18,500,000—in all £63,500,000 [presumably exclusive of Reserves].

Report on Strikes and Lock-outs in the United Kingdom in 1903. . . . [C^d. 2,112.]

The number of persons affected by strikes and the aggregate number of working days lost were less in 1903 than in any other year on record. The results were mostly in favour of the employers.

Report on Changes in Rates of Wages and Hours of Labour in the United Kingdom in 1903. . . . [C^d. 2,199.]

The net result of changes in rates affecting 897,000 workpeople was a decrease of £38,300 in weekly wages (£72,700 in 1902, £77,300 in 1901). Though there was no change of rates in the cotton industry, there was a considerable diminution of earnings. The change in hours worked was slight—not quite 15,500 hours per week in the working-time of not quite 7,500 workpeople.

The Fourth Financial and Economical Annual of Japan (1904) presents, besides valuable statistics, beautiful specimens of coloured diagrams.

LABOUR NOTES.

LITTLE change in the general conditions of employment has taken place during the past three months, and it is noteworthy that so far there is no sign of a repetition of the rapidly deteriorating conditions of the summer months of last year. At the end of July the percentage of unemployed shown by the *Labour Gazette* chart was 6.1 per cent., as compared with 6.0 per cent. at the end of March. The absence of any marked movement in the curve has been accompanied by a general fixity as regards the relative positions of the trades on the returns from which the curve is traced, the ship-building group still retaining its unsatisfactory pre-eminence of the high percentage of those out of work. At the end of July the percentage in this group was 12.9.

In the cotton trade, although the general conditions of employment have improved, it has been judged prudent again to reduce the working hours from $47\frac{1}{2}$ to 40 per week, the temporary rise to the longer time having risked the future too greatly. Mr. Macara, the President of the Master Cotton-Spinners' Federation, in advocating the return to a 40 hours' week, complains somewhat severely of the action of the "disloyal few" among the employers "who have entirely ignored all efforts to arrest disaster to the industry as a whole," and asserts that, had it not been for the organised effort that has been on the whole so loyally carried out "the mills would now have been stopped for want of raw material, and the operatives would consequently have been idle." The movement towards the future regulation of the trade has been considerably strengthened by the recent International Cotton Congress held in Zurich, at which "there was a general agreement that there would have to be international combination in the future, and a determination on the part of the employers' associations in the various countries to perfect their organisations."

At home, partly through the somewhat depressed conditions of trade, partly through the altered legal position in which the Trade Unions find themselves in consequence of the Taff Vale and other judgments, and still more, perhaps, through the lessons that experience is constantly giving that the surest basis of satisfactory conditions is the maintenance of peace, a conciliatory tone

prevails in the ranks of organised labour. There is a good deal of political expectancy, but that highly composite body described as the wage-earning classes seems nevertheless to be more conscious of the limitations of its own powers of effective cohesion. Beneath the surface of sectional organisation we appear to be learning, by sure degrees, the essentially organic nature not only of our political, but of our industrial life.

MEANWHILE, for this country, there has come the Report of the Physical Deterioration Committee as a fresh reminder that it is not in the committee-room or the council-chamber or the factory, that many of the most fundamental reforms have to be inaugurated, but in much simpler and in more domestic ways—in the safeguarding of personal health, in the management of young children, and in the care of the home.

THREE recent manifestations of the different activities of the co-operative principle may be noted, and, firstly, the coming-of-age celebration of the Women's Cooperative Guild. This society has grown from the handful of members that had joined it in 1884 to the present total of nearly 20,000, and is now, through the finer influence that women can often exercise, in education, in the promotion of hygienic reform, and in the spread of co-operation in poor neighbourhoods, making itself felt as a very genuine influence in the whole co-operative movement.

ACCORDING to recent returns made by those interested in the application of co-operation to forms of industrial co-partnership, the number of societies that rank as such has increased from 15 in 1883 to 126 in 1903, and the sales from £160,751 to £3,226,530. The distinctive figure in these societies—the dividend on wages—is not known for 1883, but for 1893 the amount given is £8,225, as compared with £23,356 in 1903. All the figures thus show an advance which, though considerable, still leaves the totals small, and their significance has to be looked for, perhaps, rather in the modified application of the underlying principle in other fields of industry than in themselves.

By far the most important and successful of these applications in this country at the present time is that of the South Metropolitan Gas Company, in which about £200,000 of the company's stock is now held by its employees, and in which the bonus to labour, distributed last year, amounted to about £32,000. "We have now," as Sir George Livesey said in a recent address to the participants, "grown into a co-partnership," and he truly describes the present constitution of the company as "a great, valuable, and successful experiment." It is no wonder that, capitalistic though the basis of the company is, Mr. E. O. Greening, in his recent inaugural address at the Co-operative Congress of 1904, should have described it as a complete illustration of the adoption of the co-operative principle of co-partnership—a manifestation of the common interests of custom, capital, and labour.

ERNEST AVES

CURRENT TOPICS.

THE labours of the Anti-Corn Law League are thrown into the shade by those of the Tariff Reform League and the Imperial Tariff Committee. Eighteen and a half million leaflets are stated to have been distributed by the middle of last June. Twenty-nine thousand of them were in Welsh, and nineteen thousand were specially intended for women. They consist of fifty-four different sets, of which that on "the decay of our export trade in manufactured goods" has had the largest circulation. The leaflets have been reinforced by four hundred and twenty thousand cartoons and posters. The work of the lecturers has, up to the present, been chiefly confined to the Midlands, but within this area meetings have been held in almost every town and village.

WITH reference to a passage in the article on *Economic Theory and Fiscal Policy*, which we print above, Professor Marshall made the following explanation in Section F of the British Association, where the paper was read. He regretted that the attack which a minority of economists had made upon the Manifesto issued by the majority had been renewed. Hitherto he had refused to reply, or even correct misinterpretation. But, if silence were maintained now, those who signed would seem to acquiesce in the version given. Mr. Price had said that the

Manifesto was mainly negative. The only fault that he (Professor Marshall) had to find with it was that there were one or two sentences which seemed to be constructive, and there was no room for construction in so short a document. He was abroad when it was written, and could not speak in details for the motives of others. But he himself objected to all manifestoes by economists on political questions, and consented to sign only because, in an epoch-making speech in the House of Commons, a great Statesman had laid down the corner-stone of his policy in a sentence—he was quoting from memory—"It is mathematically certain that the importation of goods which could be produced at home diminishes employment." He would have liked the Manifesto to consist of the quotation of this sentence with the statement that its signatories did not agree with it. He himself would never use the word "mathematical" in a case of that kind. But the chief corner-stone of policy would rather be that sentence inverted, omitting the word "mathematically." For it was generally true that the less employment is required in order to produce a certain effect, the larger is the surplus available for wages in all trades. Of course, this does not mean that any violent change is good. To abolish Protection suddenly would throw people out of employment, and no Free-trader proposed any violent change.

[From the "*Standard*."]

A COMMITTEE has been appointed by the President of the Board of Agriculture to inquire "whether there is any evidence to show that preferential treatment is given by the railway companies of Great Britain to foreign and colonial agricultural produce as compared with home produce." Meanwhile, there has been a correspondence on the subject in the *Times*, in which letters have appeared from Sir G. S. Gibb, of the North-Eastern Railway (April 30th), and from the writer of the articles on "The Organisation of Agriculture" (May 24th), whose fourth article also deals with the question (May 2nd). Mr. W. M. Acworth, in a short letter on May 27th, suggests that the farmer has more to hope for from "a reduction of the salesman's charges than those of the railway companies."

THE Mansion House Committee on the unemployed, originally appointed in 1896, was reorganised last winter, in order to conduct a relief scheme on a novel plan suggested by Canon Barnett.

Some estimate of its results is now possible. The main object of the scheme was to separate the deserving unemployed from the unemployable. The committee attempted to secure this object by subjecting applicants for aid to a test which should be automatic. Those who applied for relief were separated from their families, and sent a considerable distance out of London to work upon the land. For two days in each fortnight they were permitted to return to London, in order to see their families and look for employment.

It was expected that the prospect of enforced absence from the attractions of the town, combined with continuous work, would be sufficient to deter the unemployable class from taking advantage of the scheme. This was the only test, as both food and payment were on an unusually generous scale. From certain figures with which we have been supplied, it seems doubtful whether this test was sufficiently stringent to exclude the casual labourer. Out of 467 persons sent into the country, only thirty-eight left with a prospect of obtaining employment, 247 were still dependent upon the relief work when it came to an end, and 154 left for reasons which can be classed as unsatisfactory.

THE formation of the North Wales Quarries (Limited) was one of the incidental results of the prolonged dispute at the Penrhyn quarries. The new company was financed by a number of co-operative societies, in order to provide employment for as many as possible of the men displaced by the Penrhyn strike. The report of the Co-operative Union states that the new quarries "are now being carried on profitably and employ nearly 300 men."

FAILURES have been frequent enough among these cooperative societies, which consist of associations of "producers." But they are so rare among those formed by associations of "consumers" that it is worth while to record the collapse of the Mexborough Cooperative Store. One of the reasons given for the failure indicates a tendency which is the cause of frequent complaint among the servants of these societies, the unwillingness of the committee to pay for the full services of a competent secretary.

THE Australian Labour Ministry fell on the 12th of August. Its leading economic proposals were :—(1) A bill to nationalise the tobacco trade. (2) A banking bill, under which chartered banks were to hold one-third of their cash reserve in Government notes. (3) A federal old age pensions bill. (4) A federal arbitration bill, embracing the employes of the State railways. (5) A bill to exclude Kanaka labourers from the sugar plantations. The arbitration bill empowered the Court to direct an employer to engage trade unionists in preference to non-unionists. It is on this point that the Ministry was defeated.

WE have received from Mrs. Fawcett, with reference to her review of *Women's Industries* in the June number of the ECONOMIC JOURNAL, the following portion of a letter written to her by a correspondent whose *bona fides* she guarantees :—"I have been reading with interest your contribution to the ECONOMIC JOURNAL of the month of June, and note particularly your remarks on page 297, with regard to women being taught the use of the linotype machine. It may interest you to know that a considerable proportion of the linotype machines now in use in France are run by women, and run with perfect success, their work being in all respects equal to the work of men, although naturally, the economic position of women being what it is, not so highly paid. At the Paris Exhibition of 1900 the best operator of the American installation of machines engaged in setting up the Paris Exhibition number of the *New York Times* was a woman, whose speed was appreciably higher than that of any man there; and this speed was obtained not less by her skilful reading of manuscripts, which eliminated nearly all literal errors from her work, and consequently saved time in corrections, than by her manual dexterity, which was equal to the best. You are strictly right in saying that it is the opposition of the Trade Unions that prevents women now operating linotype machines."

THE new branch of economic instruction at Oxford, which we mentioned in a former number (ECONOMIC JOURNAL, Vol. XIII, p. 278) begins to flourish, though unsupported by any contribution from University funds. The progress which has been made cannot be better described than by an extract from a statement prepared by the Secretary of the newly-founded Committee for Economics.

“ By a Statute passed in Trinity Term, 1903, the University of Oxford provided for the grant of a Diploma in Economics, as the result of an Examination following on a course of study, and for the appointment of a Committee to make (1), regulations for the conduct of this Examination, and (subject to the approval of Convocation) for the admission of Candidates thereto, and (2), arrangements for lectures and instruction on Economics to be given within the University. In pursuance of the provisions of the Statute a Committee for Economics was constituted in Michaelmas Term, 1903; courses of Instruction have been arranged to commence with the beginning of the Academical year in October, 1904; and the first Annual Examination will be held in June, 1905. The Statute was introduced in response to a memorial asking for a larger recognition of Economics among the subjects prescribed for study and examination at Oxford than had hitherto been accorded. The memorial, which was signed by a great number of resident members of Convocation, coincided in time with similar movements originating in other academic centres. These movements were started amid different surroundings and have been conducted on different lines. The objects, to which they have been specially directed in each case, and the actual schemes, in which they have issued, have been marked by differences of detail suited to their respective environment. But this variety of detail, distinguishing especially the projects contemplated in the older Universities from the more technical experiments attempted in those newer seats of academic education which are located in manufacturing and commercial centres, has been combined with certain common characteristics. The general motives which have prompted, and the broad influences which have guided, these different but allied movements, have presented similarities no less noteworthy than their differences. On the one hand it has been widely felt that the conditions of the times tend inevitably to give greater prominence to economic subjects. As one consequence, the body of reasoned knowledge, which has sometimes been briefly defined as the ‘science of business,’ may be fairly expected to assume a more important place in the curricula of instruction in our Universities. ‘Business matters’ have at any rate become a more frequent and engrossing concern in the subsequent career of an increasing number of those who spend at Oxford or elsewhere some years of preparatory study before they enter on the active work of their lives. On the other hand it is notorious that in foreign countries, and not

least conspicuously in those, like Germany and the United States, which have become our most formidable competitors in trade and industry, the subject of Economics has been assigned a position in the front rank of University studies. Considerations like these have suggested such fresh departures in Great Britain as the creation of a Faculty of Commerce at the new University of Birmingham, and the introduction of a Curriculum in Economics at the old University of Cambridge. Similar movements distinguished by differences of detail have attracted attention in other academic centres; and at Oxford a larger opportunity for systematic instruction in Economics and for regular examination in the subject is now being offered by the arrangement of lectures and classes, and by the grant of a Diploma."

It is hoped that the opportunity thus presented will be embraced by different descriptions of students, whose varying requirements have received consideration in framing the scheme of examination and of preliminary instruction.

"THE Statute," continues the Secretary, "has been drawn on lines similar to those followed in the case of other Diplomas previously established (*e.g.*, in the Theory, History, and Practice of Education and in Geography), which stand to some extent apart from the regular courses of study and examination in the University. It has accordingly been possible to secure considerable elasticity in the regulations for the admission of students both to the Examination and to the preliminary Instruction. It may be expected in consequence that on the one hand some students may be enabled to combine their reading for an University degree (on one or other of the prescribed lines) with simultaneous study for the Diploma in Economics, or to supplement their regular course by subsequently qualifying for the Diploma, and on the other hand that it will be possible for some, who are unable, or unwilling, to seek the ordinary degree, or to spend the full time requisite for this purpose, to become candidates for the Examination for the Diploma in Economics, and to avail themselves of the courses of Instruction. . . . Particulars of the subjects to be offered in the Examination have been issued by the Committee for Economics. In the preparation of this scheme an endeavour has been made to meet the needs of the different classes of candidates for whom the Diploma is intended. The requirement of a general knowledge of the principles of Economics, and of the

Commercial and Industrial History of Great Britain and Ireland during the last two centuries, is combined with freedom of choice in the selection of particular subjects for special study. Candidates may be guided in their decision by the desire to gain a close acquaintance with some one or other of these subjects, in view of the probable demands of a contemplated career, or the immediate attractions of individual interest. . . . Candidates will be permitted to offer, in lieu of one of the two Special Subjects required, a dissertation, in the subject of which they will be examined *viva voce*."

THE German Soziales Museum, named after the well-known "Musée Sociale" at Paris, was opened on the first day of April, 1903. Its statutes provide for (1) Archives and a library on sociology. (2) A bureau of information on social and industrial betterment. (3) Free legal advice to employers, and to working-men alike, in wages or contract matters. The archives now contain nearly 10,000 pamphlets and reports, the library 600 books. So far 110 inquiries relating to social and industrial betterment have received replies. The Law Department has handled about 13,000 cases, mostly between employer and employed. Thus the museum is intended to place at the disposal of the lawmaker, catalogued and systematised, precedents and statistical material hitherto scattered far and wide, if obtainable at all; to aid municipalities in carrying out their social programmes; to show the manufacturer how to improve the hygienic conditions in his establishments; to instruct employers and working men as to their rights and duties; to properly direct philanthropically inclined persons, lest their schemes become failures.

POLITICAL economy, as well as Psychology, is a loser by the death of Mr. G. Tarde, which occurred last May. His position on the wide stand of two sciences is indicated by the title of his original work, *Psychologie Economique*—(reviewed in the ECONOMIC JOURNAL last year, vol. xiii, p. 615.)

DR. J. H. HOLLANDER is now Professor Hollander, of Johns Hopkins University, Baltimore. He is at present on a mission of inquiry into the financial, or rather fiscal, position of Oklahoma and the conjoint Indian Reserve.

PROFESSOR SELIGMAN has accepted the office of Correspondent in the United States to the Royal Economic Society. Professor Taussig, who long held the office, though now well enough to return to his academic work at Harvard University, is still under the necessity of husbanding his strength. The Royal Economic Society is fortunate in continuing to have for its American Correspondent an economist who is well known in Europe as well as America. The continuity of distinction was not interrupted when Professor Carver temporarily took the place of Professor Taussig during the illness of the latter.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

July, 1904.

Political Economy and the Tariff Problem.

English economists are only beginning to be affected by the stirring of the intellectual waters. In Germany eleven years ago Professor Fuchs in his *Commercial Policy of England* anticipated the policy of Colonial preference with taxation of food. Wagner in his *Agricultural and Industrial State* exhibits the condition of British trade as a warning to Germany. In France "the old rigid orthodoxy is broken down." In America Professor Taussig, though he maintains that "the protection of iron involved a loss to the country in its initial stages" . . . has "reached a position of impartial objectivity." The writer exhorts his colleagues to "abandon the vain task of universal protest, and give their assistance in the practical work of a reasonable opportunism."

A Comparison of Exports to the United States, European Protective States, and our Colonies. B. ELLINGER. *Charity Organisation.* W. A. BAILWARD. *Chinese Labour.* H. KIRKE. *Our Savings Banks.* H. W. WOLFF. Referring unfavourably to the Parliamentary Inquiry of 1902.

Journal of the Royal Statistical Society.

June, 1904.

Statistics of London Traffic. E. S. HARPER. *The Effect of Workmen's Compensation Acts.* W. H. TOZER.

The Nineteenth Century.

June, 1904.

Warp and Woof. H. J. TENNANT, M.P. Mrs. Lyttelton's drama does not exaggerate the oppression of employees.

August.

British Shipping and Fiscal Reform. MARQUIS OF GRAHAM. *What is the Use of Gold Discoveries?* RIGHT HON. LEONARD COURTNEY. Not much.

Contemporary Review.

July, 1904.

German Professors and Protectionism. E. BERNSTEIN. Professor Wagner and others are controverted.

The Monthly Review.

June, 1904.

Free Trade the Foundation of Empire. J. St. Loe STRACHEY.

The National Review.

June, 1904.

The Real Cobden. H. W. WILSON.

Cobden was prepared to admit a corn tax of 2s. a quarter, and doubted the prudence of allowing a great people to depend on foreign supplies. "There can be no explanation of his contradictory statements but flagrant insincerity."

July.

Cobden and Cobdenism. L. J. MAXSE. We must replace *laissez faire* by *savoir faire*, the applications of constructive economics to the Empire as a whole.

August.

Some Neglected Lessons. R. H. INGLIS PALGRAVE. The agricultural interest has lost about £2,500,000,000 since 1875. Protection, however, "is out of the question."

The Independent Review.

June, 1904.

Trade Unions and the Law. SIR CHARLES DILKE, M.P., RICHARD BELL, M.P.

July.

First Garden City. The Chairman of the Company. A reply to Mr. Seebohm's article in the May number.

A National Policy. SIDNEY WEBB. A plea for expenditure in maintaining a national minimum against "parasitic" industries. The writer "can see no validity, no use, no hope—almost no sense"—in "the crude and inconsistent proposal for a Protectionist Tariff;" but regrets that the easy triumph over gross logical blunders should encourage *laissez faire*. The policy of the national minimum supplies the badly-needed intellectual principle on which to base the relations between central and local government. Diversion to public channels of the large part of private expenditure which is deteriorating to efficiency would be a public good.

August, 1904.

The Industrial Position of Women. GERTRUDE TUCKWELL. State Legislation and reducing competition by collective bargaining are recommended.

The April numbers, both of the *Quarterly* and *Edinburgh Review*, contain articles directed against the Balfour-Chamberlain fiscal policy.

The Yale Review (Newhaven).

Anti-Trust Remedies under the Northern Securities Decision. E. B. WHITNEY. *Workmen's Insurance in Germany.* N. PINKUS. *The Psychology of German Workmen's Insurance.* H. W. FARNAM. Insurance has not taught thrift, but has weakened self-help.

In the July and preceding numbers of *La Riforma Sociale* (Turin), the interesting publication of the Venetian public economy to which we alluded in our last (xiv., p. 344) is continued.

Political Science Quarterly (Boston).

June, 1904.

Legal Monopoly. ALTON D. ADAMS. "The triumph of monopoly can only come after private greed has darkened the ancient lights of

common law." *Trusts and Trade Unions*. MABEL ATKINSON. In some industries trade unions facilitate capitalist combination and share its profits; in others, the organisation of the capitalists impedes that of the workers.

The Journal of Political Economy (Chicago).

Hobson's Theory of Distribution. LAURENCE LAUGHLIN. The proposed reformation of the concepts, land, labour, and capital, are not accepted. *Conditions affecting Beet-sugar Culture in the United States*. G. W. SHAW. *Wage Statistics in the Twelfth Census*. EDITH ABBOTT. Referring to the statistics noted above. *Labour Insurance*. I. M. RUBINOW. *Promotion before the Trusts*. W. G. LANGWORTHY TAYLOR.

Journal des Économistes (Paris).

June, 1904.

Le Centenaire de Cobden. F. PASSY. *La réforme monétaire de la Chine*. A. RAFFALOVICH.

July.

L'agriculture et la Liberté. P. BONNARD. *Le troisième centenaire de la Caisse d'Épargne, 1604—1904*. A. DE MALARCE. *Le Mouvement financier et commercial*. M. ZABLET. *Revue des principales publications économiques de l'étranger*. MACQUART. *Le libre-échange est-il un dogme?* ROUXEL. *Un épisode du centenaire de Cobden*.

Revue d'Économie Politique (Paris).

May, 1904.

Le travail domestique des femmes, son évaluation économique et sociale. DR. KAETHE SCHUMACHER. The domestic work of women is in general valued below its real worth. *La loi fondamentale de la doctrine sociale de Marx*. O. KARMIN. Referring to F. Oppenheim's *Das Grundgesetz des marxischen Gesellschaftslehre*. *L'exportation municipale à Dresde*. M. ZAGRIATSKOFF.

June.

La désagrégation sociale et la lutte des classes. E. VILLEY. *La Municipalisation du sol en Allemagne*. E. FOCHIER.

July.

De la suppression ou de la réglementation des débits de boisson. CHARLES GIDE. The various alternatives of suppressing or regulating the sale of liquor are lucidly discussed by Professor Gide. For France he recommends competing with the sale of liquor by the sale of non-alcoholic drinks, under the auspices of co-operative consumption societies and trade unions (*syndicats ouvriers*). *Le commerce extérieur de la France.* H. TRUCHY.

In *L'Économiste Français* for August 6, M. de Foville, referring to the report of the English Mint (above, p. 480), estimates the stock of gold in the United Kingdom as about £100,000,000, that of silver £24,000,000 (official value), and comments on the paradox that a country with a larger population than France and a commerce at least twice as large should possess only half as much metallic money.

Jahrbücher f. Nationalökonomie u. Statistik (Jena).

May and June.

Steuerverhältnisse Russland's. V. WITTSCHESKY.

July.

Individualprinzip, Sozialprinzip, und Sozialethischer Problem. BÉLA FÖLDES.*Jahrbuch für Gesetzgebung* . . (Leipsic).

No. 3, 1904, has an important article, by Prof. Schmoller, on the future commercial policy of England, with special reference to Professor Ashley's *Tariff Problem* and M. Georges Blondel's *Politique protectionniste en Angleterre*. The learned German does not regard the condition of English-commerce to be as rosy as it is painted by Free Traders. But whether the proposed experiment will succeed no one can now say.

Zeitschrift für die Gesamte Staatswissenschaft (Tübingen), Heft 3 (1904), has, *inter alia*, *Der Lehrer des Oresmius*, by Dr. Kaulla, on the contribution of John Buridan to the theory of money. Among the supplements which have become a feature of the *Zeitschrift* (see *ECONOMIC JOURNAL*, vol. xiv, p. 343, corrected among the *Errata*) may be noticed the twelfth supplement, *Das schuldenwesen der deutschen Städte*.

In *Soziale Praxis*, edited by Professor E. Francke, Nos. 37 and 38 may be noticed two articles by Schmoller on Social Evolution (*Gesamtentwicklung*).

The first two numbers of the Swedish *Ekonomisk Tidskrift* for the current year contain two articles by Prof. Cassel on "Bad Times and Crises," in some sense a development of points raised in the author's work "The Nature and Necessity of Interest" reviewed in our last number. Gustav Steffen contributes, in four consecutive parts, a discussion of problems of commercial-policy (*Handelspolitik*). Among other articles of interest may be named one by the editor, in the February number, on monetary problems of the future, and a discussion of the influence of German bourse legislation on speculation, by Hr. Heckscher in the March number.

Giornale degli Economisti (Rome).

May, 1904.

Di un problema fondamentale di statistica investigatrice. U. BROGGI.

On the relation between statistics and the Calculus of Probabilities, with special reference to Prof. Bortschevitz's "law of small numbers."

Di una legge di fecondità. G. MONTEMARTINI.

Fecundity, as measured by the number of births relatively to the number of marriageable women (between ages 15 and 55), for the general Italian population, from 12 to 14 per cent. for operatives, 4·5 per cent. in general; but for the well-paid, well-dowered class of State employees, 10·4 per cent.

I progressi dell' industria dei trasporti marittimi e il ribasso dei noli.
V. GIUFFRIDA.

Le clausule contrattuali per la tutela degli operai. R. BACHI.

Italian localities are compared in respect of their regulations concerning labour, which resemble the Dutch and Belgian more than the English type.

La crisi della seta e le responsabilita del Governo. E. GIRETTI.

June, 1904.

La teoria della valutazione in rapporto alla teoria del valore. L. BRASCA.
[The subject is much the same as that which Professor Pantaleoni has handled in recent numbers of the *Giornale*—the relation of value to valuation]. *Un esperimento di governo costituzionale in Russia.* A. TREVES. [A chapter from the history of Catharine the Great.] *Nazionalizzazione delle ferrovie in Svizzera.* W. RAOCA.

July.

Per il centenario di Ricardo Cobden. R. DALLA VOLTA. A splendid eulogy. *La politica commerciale e gl'interessi dei lavoratori.* A. DE VITI DE MARCO. The substance of addresses given to the *Lega antiprotezionista*, which unites Liberals and Socialists against a common enemy. Protection is shown to diminish money-wages, and raises prices, among other evil effects. *Le Banche Nazionali negli Stati Uniti.* G. FRANÇOIS.

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CHIDELL (E. F.). *Africa and National Regeneration.* (Second edition). London: Burleigh. 1904. Pp. 78.

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[Because progressive going countries have thriven under Protection it does not follow that Protection has contributed to their progress; or that the people believe in it.]

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[Reviewed above.]

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[Belonging to the series *Protection in various countries*, edited by Mr. Harbutt Dawson, and illustrating the impartiality with which the series is edited, as the work is strongly Protectionist.]

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[By the author of the article on "A Seventeenth-Century Trade Union," in the *Economic Journal* for September, 1900, which is republished here.]

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[The practice of asking for suggestions from any employee for bettering and cheapening the work that he and others had to do has led to excellent results, which are here exhibited.]

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[The author, a Professor at the University of Paris, has striven to distinguish between those Socialist ideals which appear to be realisable from those which have no future.]

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THE ECONOMIC JOURNAL

DECEMBER, 1904

THE "DRAFT ON LONDON" AND TARIFF REFORM.

It is evident that the question of the future fiscal policy of this country will be the main subject of discussion during the next few years; and it is, therefore, important that its bearing on every side of our national development should be carefully considered. We have been warned in eloquent terms that our industries are decaying to an alarming extent—some of them "going," some of them already "gone"; that the loyalty of our Colonies is at stake, unless we institute preferential trade relations with them; and that our only chance of salvation is to adopt a certain definite tariff, which will, we are promised, save us so many farthings on our weekly bills, and solve the problem of the unemployed. Without going into the question as to whether these statements are borne out by facts or not, it would be interesting to consider whether it is solely by our manufactures and our industries that we shall stand or fall, or whether we do not owe a great part of our pre-eminence amongst the nations to the fact of our also being the Bankers of the World.

It seems to be assumed by the advocates of change, either that the permanence of our position in this respect is assured under any circumstances, or that it would not matter to us, as a nation, whether we lose that position or not.

I propose in this paper to deal with only one element of international finance—the Draft, or Bill of Exchange, on London, and to try to see how far its position would be affected by the changes proposed. As a matter of fact, I fancy the expression, and all that it implies, is probably better understood abroad than in this

country, and I doubt whether its importance in the world's finance is realised by many in England, outside of those who come across it habitually in their business. Therefore, it may be better to begin by explaining what is generally understood by a Draft on London. This term is not usually applied in a technical sense to the drafts drawn from other places in this country, such as Liverpool or Manchester, on London. Nor does it include the drafts on demand, whether these drafts are drawn from England or elsewhere. The term in the banking world is habitually applied to drafts (other than those on demand), drawn from abroad, and it is with these that I shall specially deal in this paper. I shall direct my remarks to a general examination of the services which these drafts render; to an estimate of the amount of them now in circulation; to a comparison of this amount, and the transactions it represents, with those of a previous generation; and to a consideration of the prospects of a continuance of these instruments of commerce in the future.

These drafts naturally divide themselves into two classes—those drawn on London for British account and those drawn for foreign account. The former would include those drawn against goods or produce sold to merchants or manufacturers in this country and those drawn against goods or produce consigned to this country for sale, and require no further explanation. The latter—the drafts drawn for foreign account—may be roughly divided into three classes—reimbursement drafts, blank drafts, and what I may perhaps call “Stock Exchange” drafts.

As an illustration of a reimbursement draft, I would instance the case of a cotton-spinner in Russia, who buys 500 bales of cotton from a firm in New Orleans and instructs the shipper to draw upon his (the spinner's) London banker a sterling draft at sixty or ninety days' sight, against the corresponding shipping documents. These documents are delivered to the London banker against his acceptance of the shipper's draft, and are forwarded by him to the spinner in Russia, who, in his turn, is under obligation to remit the amount of the London banker's acceptance to him before it becomes due. To the uninitiated this transaction may appear a risky one, and to differ very little, if at all, from that which is the basis of a blank draft; but the London banker differentiates strongly between them. In the case in point, he knows that the spinner, whose business it is to spin cotton, has got an additional supply of the raw material necessary for his business. It is a legitimate transaction on the part of the spinner, and the reasonable assumption of the banker is—an

assumption, which, of course, is not always correct—that the proceeds of the cotton financed by him will be in the hands of the spinner in time to enable him to remit the money to London to meet the acceptance. This class of reimbursement business is the basis of by far the larger portion of the drafts on London for foreign account.

Blank drafts are naturally permitted with much less readiness, and to a much smaller extent, than reimbursement drafts; and the London banker is careful in controlling, as far as he is able, that these facilities are used for a legitimate purpose. Thus, for instance, a merchant in Buenos Ayres has orders for the purchase of a quantity of hides, or of wool, for a European client, and is authorised by this client to draw for the cost, against shipping documents, on a London banker. But the Buenos Ayres merchant may have to pay for the produce some time before it is shipped; or he may wish to protect himself against fluctuations of exchange before shipment. He then draws his blank draft at ninety days' sight on his own London banker and remits him in due course the draft, or the proceeds of the draft, drawn against shipping documents. Or—to give another instance—a large dry goods merchant in New York, who is in the habit of selling on commission for account of an American manufacturer the goods he manufactures, is required by him to advance the proceeds of such sales in cash immediately the sales are made. These sales have been made on credit, and, in the busy season, when the trader buys his stock to meet the spring or autumn demand, the merchant finds it a convenience to raise the funds to pay the manufacturer by drawing blank drafts on his own London banker at three months' sight, covering them in due course with the proceeds of the sales he has made. It is obvious that the granting of such facilities is a matter of much discrimination on the part of the London banker. He has to watch and see, as far as he is able, that the facilities are only used legitimately; for example, that the New York dry goods merchant does not renew his drafts with unerring regularity, irrespective of the season of his requirements. Of course, the extent of this supervision will be regulated by the standing of the drawer of the bills. If the firm is of the highest standing, and of admittedly large means, very little notice, if any, will be taken of the use which he makes of the facilities placed at his disposal.

The third class of drafts—which I call "Stock Exchange" drafts—are necessarily of a more spasmodic character, and the extent of them is governed by questions of exchange, of the rate

of discount in London, and the value of money in the country where the drafts are drawn. They are secured by the deposit, for account of the London banker, of securities of good character with ample margin. These securities may take the form of bonds or stocks (the more usual form), or of warrants for produce; or, perhaps, in rarer instances, of bills of exchange in local currency. The amounts drawn are generally large, and the commissions, I regret to say, correspondingly small.

I have, of course, by no means exhausted the business which drafts on London for foreign account may represent. I have only endeavoured to give a brief outline of the general heads under which they usually fall.

I may add that the accepting banker in London has always to be placed in funds—either in the shape of cash or bills of exchange—before maturity of his acceptances. The principle is that the London banker lends his credit but not his cash; and it is only by the observance of this principle that the large amount of drafts on London, which undoubtedly exists, could remain in circulation. This constant remittance of money to London from other countries, in cover of engagements, creates, in its turn, a demand for fresh drafts on London. Even if the remittance takes the form of a cheque or cable transfer it will often occur that the cash against which the cheque or cable transfer is drawn will have been accumulated in London from the proceeds of previous long drafts on London. Thus it is evident that these engagements of London bankers for foreign account constitute a constantly recurring indebtedness of other countries to this country.

It will be observed that the draft on London for British account—that is, against goods or produce sent to this country—differs in this respect from the draft for foreign account; as the former will be paid in due course by the proceeds of the sale of the goods and not by a remittance from abroad.

The estimates of the amount of drafts on London in circulation at one and the same time vary very much. This is only natural, for the data which we have to go upon are very slight. Indeed, the only figures which can guide us are those of the amounts received by the Inland Revenue from the sale of adhesive and impressed stamps on bills of exchange in each year. But these figures, as now given, do not enable us to form any definite conclusions.

In the first place, the amounts received for adhesive and impressed stamps respectively are not separated. I may mention that all drafts drawn in the United Kingdom—whether drawn in

sterling on places in England, or in foreign currency on places abroad—have to be drawn on a form with an impressed stamp; while adhesive stamps are applied to all so-called foreign drafts—that is, drafts drawn anywhere but in the United Kingdom, whether drawn in sterling on places in the United Kingdom, or drawn in foreign currency on a foreign country, and negotiated here. So that we are in no wise able to gauge from the figures given us whether an increase or decrease in the amount collected by the Inland Revenue is due to an increase or decrease of inland or foreign drafts. Further, no indication is afforded us of the number of stamps sold of each value. This adds to our difficulty, as the *ad valorem* duty is different for bills of less than £100 and for bills over £100. Again, these *ad valorem* duties themselves were completely revised in 1871, and then a few years ago a further alteration was made in respect of bills of exchange drawn abroad on a foreign country and negotiated here.

Mr. Palgrave, in his *Dictionary of Political Economy*, mentions that the amount of drafts in the United Kingdom running at one and the same time was estimated by Mr. Leatham, in 1841, at 135 millions, and by Mr. Newmarch, in 1856, at about 200 millions. Mr. Palgrave himself, in 1872, estimated the amount at 300 to 350 millions, and stated in 1891, that he did not think there had been much alteration in recent years. Then, again, last year Mr. Tritton, relying on figures supplied him by the London Clearing House, estimated the amount of bills on London alone, running at one and the same time, at 110 millions, but admitted that this estimate was probably too low. I, myself, incline to an estimate of something less than 300 millions as the present total amount of drafts on places in the United Kingdom running at one and the same time.

All such estimates, if based on the amount of duty collected by the Inland Revenue, must depend on the estimated currency of the bills. Mr. Tritton took as his basis an average currency of seventy days, and I myself (and much greater authorities than I) am inclined to accept this figure as approximately correct. If we adopt it, and assume an average *ad valorem* stamp duty of 1s. per cent., the amount collected by the Inland Revenue in 1902-3 would indicate a total amount of bills in that year of 1,400 millions sterling, which, with an average currency of seventy days, would give a figure of 280 millions as the amount of bills running at one and the same time.

When we try to divide the bills into inland and foreign bills, our difficulties become even greater. Mr. Palgrave estimated, in

his *Notes on Banking*, that the total amount of inland bills in 1870-1 was 678 millions, and of foreign bills of all kinds 600 millions. My own view, after most careful consideration and consultation with others, is that, of the total estimated amount of 1,400 millions, something like 900 millions are foreign bills and 500 millions inland bills. Assuming an average currency of seventy days, this would mean that of the 280 millions running at one and the same time 180 millions would be foreign bills and 100 millions inland bills.

Now, I wish to proceed a step further, and to try and find out what proportion of these foreign bills are drawn for English account and what proportion for foreign account. There are in London a number of firms—merchants, or merchant bankers—who make it their principal business to accept drafts on London. Some of these acceptances are no doubt for English account; but I think it may be taken for granted that the greater number of their clients are foreign firms, and therefore that the greater proportion of their acceptances are for the financing of the transfer of goods or produce from one foreign country to another. What this proportion is it would be impossible to say; but I am satisfied that, in the case of all these firms, the number of their English clients is, comparatively speaking, small. I am prepared to hazard an estimate of ten per cent. all round as the proportion of the acceptances of these merchant banking firms for English account. Then there are certain of the Lombard Street bankers and Scotch bankers who have (if I may say so) poached on what we consider our preserves, and accept bills for foreign account. The total amount of the acceptances of these two groups I estimate at 350 millions per annum, which, with the seventy-day average, would give a regular currency of this form of acceptance of about 70 millions.

But this is by no means all. During recent years we have seen the establishment in London of branches of great foreign institutions—German, French, Austrian, Swiss, and American—which accept sterling bills for account of their foreign customers. Then we have also the domiciled sterling bill—that is, the bill drawn in sterling on a foreign banker abroad and accepted by him payable in London. What the total amount of these two forms of acceptance may be it is impossible to say, but I fancy it is considerable. Taking all these factors into consideration, I am inclined to estimate the total sterling acceptances for account of foreign firms at 500 millions per annum, out of the estimated total of 1,400 millions. That is, the proportions I give are 500 millions for bills

drawn abroad on foreign account, 400 millions for bills drawn abroad on English account, and 500 millions for English, that is, inland, bills for English account.

I believe that the amount of drafts on London for foreign account is now as large as, if not larger than, it has ever been. At any rate, I am satisfied that the proportion of such drafts to the total amount of drafts on London has never been higher than it is at present. I believe there has been a decrease in the amount of inland bills. It is an admitted fact that a great deal of business in England that used to be financed by inland bills is now financed by bankers' overdrafts. And I should not be surprised to learn that the amount of drafts on London for English account—that is, against sales or consignments to England—is decreasing, as there seems to be a greater disposition to finance such imports by cheques or drafts on demand.

But it may be argued that this increase in drafts on London for foreign account is only natural, as in the last thirty years the trade of the world has increased so enormously. The question is, does the draft on London hold the same pre-eminent position as a medium of exchange that it did a generation ago? Let us try and compare its position then and now.

In the 'sixties and 'seventies of last century, there was practically no recognised medium of exchange but the draft on London for the financing of the movement of goods or produce from one foreign country to another. To-day this is no longer the case. We must admit that, in certain countries and in certain trades, drafts in marks on Germany, or in francs on France, Belgium, or Switzerland, have now, to a considerable extent, taken the place of the sterling draft on London. I would give as instances, imports of hides, jute, cotton, &c., from India to the Continent, or wool, hides, grain, &c., from the Argentine Republic to Hamburg, Havre, or Antwerp, and of cotton, grain, and copper from the United States. In Calcutta, Buenos Ayres, or New York, drafts in foreign currency on foreign centres are negotiated without difficulty, although I will not say that the rates of exchange at which they are taken are always as favourable as those for sterling drafts.

But this is only a natural development. The currency of these countries is now (except France) on a purely gold basis, which it certainly was not, in any one of them, thirty years ago, although it cannot yet be said that the bill on any of them is, as is the case in a sterling draft, equivalent to an order for so much gold. Further, the exports of all these countries have increased very materially, and this of itself would create a demand for remittances

on them. Again, the establishment in London, and in other countries, of branches of great foreign institutions, has undoubtedly facilitated the negotiation abroad of these drafts on foreign countries. Thus, for instance, an exporter from the United States or Argentina is instructed to draw on a banker in Hamburg or Paris. Even if he is unable to find an importer who has to remit to these places, he is sure to find a banker or merchant who has an account with the London branch of a German or French bank, and is granted the facility of drawing sterling drafts on London against remittance to the foreign bank of the drafts on Germany or France. As there is always a demand for a draft on London, the negotiation of the foreign drafts is thereby facilitated.

All these influences have undoubtedly—and naturally—tended to the increase of the drafts drawn abroad on foreign centres. It is perhaps interesting to note that the competition of these drafts is no new thing. Lord Goschen, in his *Foreign Exchanges*, written in 1861, mentions that drafts on Bremen were frequently negotiated in New York, a fact which he rightly attributes to the increased exports from Bremen to the United States.

Another point which must be taken into consideration is that a draft on London nowadays does not necessarily mean a draft on a London banker or merchant. Thirty years ago there were no branches of foreign banking institutions established in this country. A draft on London in those days necessarily meant a draft on a firm or bank whose head office was in the United Kingdom. Now this is no longer the case. We have, as I have already pointed out, a number of branches of foreign banking institutions, all of the highest standing, established in this country, accepting drafts on London for their foreign clients.

Then we have nowadays that hybrid bill of exchange, which I really do not know whether I ought to call a draft on London or not—the sterling domiciled bill: that is, the draft in sterling drawn in a foreign country on a banker abroad, and accepted by him payable in London. This is certainly a growth of recent years; and I gather that it is not infrequently met with, especially in the Indian and Australian trades.

Thus we see that the draft on London has to a certain extent been replaced by the draft in foreign currency on a foreign centre, and also that the draft on London is no longer what it invariably used to be—a draft on a firm or banker whose head office was in the United Kingdom.

Still, with all this, there are redeeming features in the situation. In the first place, it is to be noted that these foreign

currency bills to which I have alluded are, as a rule, only available for the movement of produce into the country on which they are drawn. That is, a draft in marks on Hamburg, or in francs on Havre, or Antwerp, will finance produce to Germany, France, or Belgium, but to no other country. The principal exception to this would be Scandinavia, which for many years past has financed a portion of its imports through Hamburg. The merchant in Italy or Russia would not think of employing a banker in Hamburg or Paris to finance by his acceptance in marks or francs his imports from India, Australia, or the United States. For this purpose the draft on London still remains supreme.

Further, this foreign currency draft still finances only a certain portion of the imports to Continental centres, and in certain countries, such as Brazil and Chile, nothing but a sterling draft is readily negotiable. Then, again, there are certain countries—especially the United States—which find it impossible, except in isolated cases, and then at excessive rates, to finance their imports by their own currency drafts. I remember some years ago pointing out to a prominent New York merchant, who was in the habit of importing Japanese goods by demand drafts on himself in American dollars, that the exchange at which these drafts were negotiated in Japan was one per cent. worse than that at which six-months' drafts on London would be taken. In spite of the logic of facts, he was obstinate enough to stick to his existing arrangements, and I failed to secure his business. Further, the export trade of the Continent to the East and to America is still financed almost entirely through drafts on London.

To sum up. The countries which have, to a certain extent, been able to dispense with the sterling acceptance, are Germany, France, Belgium, and, perhaps, Switzerland and the northern portions of Italy. But this only to a certain extent, and a large quantity of the imports of these countries is still financed by drafts on London. Further, if a Continental merchant imports coffee or tobacco from Brazil, or nitrate of soda from Chile, or cork or wines from Spain or Portugal, he would still habitually finance his imports through London. His direct exports, too, of manufactured goods to the East will still require a sterling acceptance. Again, if he sells Indian jute to Argentina, or if he has a branch house in the East, and decides to ship rice from Burmah, or sugar from Java, to China or Japan, he would still apply to his London bankers to finance the transactions. And, to deal only with more prominent instances, it would not be too much to say that practically the whole of the imports of the United States,

except those from Mexico and the Republics of Central America (and, of course, also from Cuba, Puerto Rico, and the Philippines) are financed through London. The amount of America's constant indebtedness to us on this account must be very large, and constitutes an important factor in the settlement of the apparently constant adverse balance of trade between us and that country.

I will not dwell on the position of the draft on London with reference to other less important countries. In nearly all of them this draft is still the ruling medium of exchange. It may, indeed, be said that all the leading bankers, and most of the principal import and export merchants, in every country, still find it necessary or expedient to have banking facilities in London.

Besides, the important functions which the draft on London performs as a direct medium of exchange between countries, its indirect use is still as great as ever. I came across a good illustration of this recently in a pamphlet on foreign exchanges, by Mr. Ewing Matheson, of Leeds. He instanced the case of a three-months' draft on London from Odessa against grain. This was remitted from Odessa to Bordeaux, to pay for an import of wines. Then it served as payment for an importation into France of woollen goods from Saxony. From there again it was sent to Amsterdam, to pay for a purchase of Java coffee, and was finally remitted to London by a Dutch Railway Company, to pay for a purchase of locomotives in Lancashire. Anyone who will study the endorsements on drafts on London will find that this is by no means an extreme instance of the uses to which it is put.

I see no reason why, as long as the forces which contributed to create the demand for the draft on London in every country of the world continue to operate, this draft should cease to occupy its present pre-eminent position. These forces may be briefly summed up as follows :—

(1) The fact that, since the resumption of specie payments in 1819, we have been, and remain, the only free market for gold in Europe. Every buyer of a draft on London knows that, if he wishes it, he can always obtain payment in gold; whereas, in the case of our two chief competitors—France and Germany—this is not so. The Bank of France, for instance, habitually charges an “agio,” or premium on gold for export; while in Germany any banker demanding gold for export at an inconvenient time would run the risk of an intimation that his action was displeasing to the authorities and must not be repeated.

(2) The fact that our carrying trade is still the largest in the world.

(3) That we are the great moneylenders of the world. The constant remittance of freight and interest on foreign investments to London materially contributes to the demand for drafts on London. We are still the largest lenders of money to other countries; but the increased expenditure of our municipalities, together with the baneful influence of South Africa—first in tempting us, as a nation, to invest our money in its gold mines, which have yielded a fitful and inadequate return, and then in involving us in an expensive war—undoubtedly reduced for a time our available resources for this purpose.

(4) The fact that we are habitually the cheapest money-market in the world. This is of great importance, because the rates of exchange which govern the price of long drafts on London in foreign countries are based on the value of money here. The primary idea, when a draft on London is negotiated abroad, is that it will be sent by first post to London and discounted there. That for a short period recently money has been dearer here than in other centres is to be attributed (as Mr. Chamberlain was informed at his Guildhall meeting) to the effects of the South African war.

(5) The fact that, in spite of all the gloomy prophecies we have lately heard, our trade still remains ahead of all competitors. Our exports of manufactures are larger than those of any other country; and, if we add our exports and imports together, our total trade is nearly equal to that of any two of our competitors. This is, after all, the most important factor: and it is the *total volume* of our trade—not only our exports but our exports *plus* our imports—which makes the draft on London so readily negotiable, and, therefore, so much in demand. It is a well-known fact that, if you have only buyers, or only sellers, of a particular commodity or security, the market in that article will always be a limited one. It is, for instance, not only the enormous amount of Consols but the constant selling as well as the constant buying of them which makes them the freest market of any stock and, therefore, a favourite investment for the foreigner as well as the Englishman. It is the same with the draft on London. The enormous supply (due to a great extent to our imports), as well as the constant demand for it (in payment for our exports), makes it the favourite form of international exchange.

It would, indeed, be hardly too much to say that the extent and universality of the employment of the draft on London may be taken as the measure of the importance of London as the banking centre of the world.

But, it may be argued, how does all this help the British manufacturer, or the British working-man? Admitting the advantage of the prestige which it gives us, is it any direct advantage to the internal trade of the country? Does it help to provide more employment?

In the first place, I would say that the favourable rate of exchange, at which drafts on London are negotiated abroad, must have some effect, however slight, on the price of food-stuffs and of the raw materials for our manufactures, of which the greater part of our imports consists. This will also have a similar effect on the demand for our exports. A foreign merchant, for example, in considering the offers of goods from an English and a foreign manufacturer, would be inclined, at equal prices, to accept the offer from that country to which he knows he can remit payment with the least trouble and cost to himself. Secondly, if it be admitted, for the sake of argument, that my figures as to the average circulation of the drafts on London, drawn for foreign account, are approximately correct, they would indicate that foreigners have to remit to us daily about one-and-a-half millions sterling to meet acceptances given for their account. The experience of every one connected with this business will, I think, bear me out in saying that, as a general rule, these amounts are remitted to London a few days before maturity of the corresponding acceptances. If we assume that this average anticipation is only three days, this would mean that the London market has the regular employment of between four and five millions of money which it would not otherwise have. As the short loan fund of London is estimated at between 60 and 70 millions, it will be seen that this amount of four to five millions bears a not insignificant proportion to the total, and that its presence must contribute materially to the comparative cheapness of money in London. I need not touch on the importance of cheap money to the trade of the country, nor need I point out what the effect would be of any serious and permanent diminution in the amount of this foreign money which is constantly being remitted to us in payment of acceptances for foreign account.

One word more. We have seen that the chief influences which have contributed to the pre-eminence of the draft on London have been the importance of our shipping, of our foreign investments, and of our great trade, both in exports and in imports. What would be the effect of tariff reform on these influences? One of its main objects, as I understand it, is to encourage home industries; to enable us to increase the produc-

tion, by manufacture or cultivation, of many articles of which we at present import considerable quantities. It appears to be argued that the decrease in our imports, which would be the inevitable result of the success of tariff reform, would not be accompanied by a decrease in our exports; indeed, it is confidently predicted that these latter will increase. I do not believe this is possible. Decreased importation must, in my opinion, be followed by decreased exportation. We cannot over a period of years increase or decrease our imports (in which are included our foreign investments), without a corresponding increase or decrease in our exports (in which are included our income from foreign investments, our earnings from freight, &c.). The balance is bound to adjust itself in course of time; and the result of this adjustment would be a decrease in the total volume of our trade. That is, the supply of and demand for drafts on London would be on a diminished scale.

Similarly with our foreign investments. We have only a certain amount available in each year for investment—namely, the balance of income over expenditure. If, through tariff reform, there should be a considerable increase in our home industries, there would be an increased inducement for capital to invest in them. An increase of our home industries is, of course, a matter for congratulation, provided it is due to natural development and not to the artificial fostering of industry. But it will reduce the amount of money invested abroad. There will therefore be a smaller amount to be remitted to England every year for interest, and, consequently, a decreased demand for drafts on London.

Similarly, again, with our shipping. A decrease in our imports would mean that foreign shippers would not have to pay for so much freight room on English ships returning to this country from abroad; and the demand for drafts on London in payment of freight would decline. I only hope that the British shipowner will be philanthropic enough not to charge a higher freight for our exports to foreign countries, to compensate him for having to return in ballast.

Thus, it appears to me, tariff reform would mean a decline in our exports and imports, in our foreign investments, and in the earnings of our ships—a decline, that is, in the influences which have mostly contributed to make us the bankers of the world. Our banking, as well as our trade, would become more insular and less international.

But we are urged to "think imperially"—that is, to adopt a system of preferential trade with our Colonies. On this subject I

will content myself with quoting Mr. Schuster's words in his address to the Institute of Bankers :—

“Is not the best we can do for our Colonies the maintenance of our pre-eminent position as the centre of the world's commerce, and as the clearing-house of the world, of our ability to supply them with cheap capital, cheap manufactures, and economical means of communication?”

I cordially endorse these words, and may add that I cannot but view with apprehension the possible effect on the sentiments of the Colonies to the Mother Country of a decrease in our ability to provide them with the facilities to which Mr. Schuster refers.

It must be borne in mind that we owe our present position as the bankers of the world, with all that this means, to the international character of our trade. We are constantly importing from and exporting to every country in the world, and therefore every country must necessarily have banking transactions with us. Under a system of preferential trade with our Colonies, it is, of course, possible that the extent of our total trade may in the long run become greater than it is at the present moment; but, if so, this will be by the increase of our Colonial at the expense of our foreign trade. Should this take place, the financial importance of this country as the world's bankers would inevitably decline, and we should lose the prestige which this position carries with it. This we should all deplore, for I feel sure that we all agree that our position as the clearing-house and the bankers of the world is as much a national asset as our Navy and our Colonies; and we are all desirous of maintaining the one equally with the others, as factors in the national welfare.

FREDERICK HUTH JACKSON

THE EFFECT OF PROTECTION ON SOME GERMAN INDUSTRIES.

I.

WHEREVER a policy of Protection has been introduced, the argument of its supporters has been that the general interest of the nation would be benefited. But theory and experience show that it has been everywhere impossible to enrich by Protection all classes of the nation in the same degree. Whilst everywhere some classes are really or apparently favoured by Protection, other classes must pay for the policy. German experience does not fail to confirm this statement.

The official programme of fiscal policy in Germany, both as for custom duties and as for rates of State railways, has, since 1879, invariably been Protection of national labour. The degree of Protection has varied until now, but not the principle.

The so-called "infant industries" argument, *i.e.*, temporary protection for young and not yet fully developed industries, cannot have any authority in Germany's actual state. Even in 1879 Germany was no longer a mere agricultural State wanting capital and industrial activity. Already, in 1879, the greater part of Germany's exports were manufactured goods;¹ the greater part of her imports were food and raw materials. In such a phase of development, supporters of Protection could not gain a majority save by an alliance between certain agricultural and industrial classes of great political influence. The leaders of the compromise were, and are now, producers of iron and yarn.

	1880.	1902.
¹ Exports (Specialhandel) } without bullion. ... }	2892, 9 million mks.	4677, 8 million mks
Exported articles manu- } factured and partly } manufactured ... }	1923, 9 „	3089, 0 „

Cf. *Stat. Jahrb. f. d. Deutsche Reich.*, 1889, p. 71, and 1903, p. 97. Caution is needed, however, in comparing statistics of 1880 and 1902.

It would have been absurd to proclaim an ideal of total seclusion from international intercourse. Even the prominent leaders of Protective policy were, in 1879, not at all inclined to renounce exports. The programme of Prince Bismarck's fiscal reform in 1879 was similar to the present programme of British fiscal reformers :—

(1) Duties on food.

(2) Free Trade in raw materials.

(3) Duties on articles manufactured, or partly manufactured.

The more national labour a commodity contained the higher ought to be the duty which protected it against foreign competition.

Custom tariffs and railway tariffs¹ were adapted to suit Bismarck's ideal : (1) To render difficult cheap importation of such articles as could also be produced in Germany ; (2) to cheaply supply Germany with such articles as did not compete with German products. At the same time special care of exports was taken by treaties of commerce, according to different methods, however, under Bismarck and Caprivi. As in old mercantilist times, some bounties on exportation, viz., of spirits and sugar, were added to the system. So, too, a bounty,² since 1894, specially disguised, for the export of corn. Extraordinarily low railway rates, moreover, were introduced to favour the export of many commodities.

It is very uncertain whether a tariff of universal Protection would have efficiently protected anybody. In order to be efficient Protection must be concentrated upon some articles. Not all agriculturists could realise their demands for Protection. Flax and wool remained free of duties. Nor do even all corn producers profit by the duty of corn. The small producers of corn who do not sell corn³ cannot be benefited by the duty ; but even great corn producers in the East did not always get enhanced prices in years of rich crops, until, in 1894, export bounties were introduced for their advantage.

It is much easier to be understood that a Protective policy could never benefit the industrial interest taken as a whole. There are several stages of manufacture in every industry, e.g., production of pig-iron and steel, production of bar-iron, wire, plates, and

¹ As to the railway tariffs, vide *Schriften des Vereins für Socialpolitik*, Bd. 89.

² The so-called "Aufhebung des Identitäts-nachweises."

³ Count Caprivi estimated that 69 per cent. of all landowners do not produce corn for sale, and Prince Hohenlohe estimated that only 4 millions of the German population are interested in high corn prices. Cf. *Schriften des Vereins für Socialpolitik* (Lotz), Bd. 92, pp. 134 and 143. Leipzig, 1901.

nails; or cotton spinning, cotton weaving, and hosiery. The effect of Protection on these different stages of production is not at all the same.

II.

Those who convert raw materials into articles partly manufactured may derive, in certain cases, great profits from Protection. As consumers of raw materials like wool, cotton, iron ores, they are nearly in the position of Free-traders; as sellers of their produce they hope to get an extra bonus in the home market by the absence of foreign competition. They can buy in the cheapest market, and sell in a market with artificially high prices. These people derive profit from the protective system as long as certain conditions are fulfilled:

(1) That the exported portion is not very great if compared with the portion sold on the home market.

(2) That taxes on food do not press very heavily on their operatives.

(3) That over-production does not demoralise prices in the home market.

(4) That other monopolists, like coal and coke producers or land owners,¹ do not take away too great a portion of the benefit derived from Protection.

Not always, since 1879, have all these conditions been fulfilled.

However, it must be observed that the proportion of exported produce is not so great in these early stages of production as in the later ones. In 1879 Germany produced and exported as follows:

	Produced. Value in millions of mks.	Exported. Value in millions of mks.
Pig iron	349.7	7.2
Half-finished iron and steel ingots, &c.	114.5	3.6
Wire	59.0	26.5
Tubes	13.9	6.3
Some other iron and steel articles	298.5	194.5

(See *Von Scheel*, *Die deutsche Volkswirtschaft am Schlusse des 19 Jahrhunderts*, Berlin, 1900, pp. 203, 205. Corresponding results are shown there for textile manufactures.)

¹ Mine owners are in Germany not protected by custom duties. But the freight policy of the State railways and the Prussian mine law has facilitated the formation of powerful syndicates. The coal syndicate is now the backbone of all protectionism in Germany. In self-defence the Prussian Government must aim at buying coal mines in order to render the State, as consumer, independent of the powerful monopolists.

III.

Much more difficult becomes the position of the producers of finished goods, and generally speaking of all manufacturers who do not themselves own raw materials, and must buy in the home market, or from abroad, at prices enhanced by the Protective system. Protectionists often repeat Bismarck's famous question, Who is the consumer? In this instance we see producers who suffer as consumers of yarn, iron, steel. Under Protection they are worse off than under Free Trade. They are deprived of the advantage of buying in the cheapest market. And they are not in all cases able to make up, for the higher price they paid, by selling their own produce at enhanced prices.

The principle that raw materials ought to be imported free of duty, benefits only the spinner and the blast furnace owner, but not their customers, the weaver, engineer, electrician. As far as they buy articles partly manufactured, their materials are not so cheap as under Free Trade. The effect is the same whether they buy at high prices in Germany, or import foreign dutiable articles like yarn or iron.

Producers of finished articles suffer like all industries, if the effect of agricultural Protection presses upon their operatives. But they suffer much more than other people in two cases :

(1) If the producers of raw materials and of articles partly manufactured practise dumping abroad, and furnish German coke and steel at preference prices to foreign competitors of German producers of finished articles.

(2) If it is not possible to derive profit from Protection by selling finished articles at relatively higher prices. Those who furnish German State railroads with manufactured iron and steel contrive very often to get higher prices than under Free Trade conditions. Then their surplus prices in the home market are paid by the public, finally by the consumers of railway services, or eventually by the tax-payers. But only those who can form cartells, and sell to the State or to municipal corporations, enjoy in full safety these advantages at the public expense. Generally not all manufacturers of finished goods get in the home market higher prices corresponding to the custom duties. Certainly they do not get higher prices abroad. Generally the proportion of export is much greater in finished articles than in raw material and half finished goods. Whilst German statisticians estimate that in general one-fourth of Germany's

industrial production is exported, some branches of producers of finished articles send more than 50 per cent. of their produce abroad. In 1897 the production in some textile goods ("gemischte Webwaren") had a value of 114.9, the export of 83.5 million marks. Analogous are the proportions of export in the hosiery trade, and some branches of manufacture of iron and steel goods.¹

Manufacturers who produce specialities, small articles, or very complicated products like machines, have great difficulty in forming cartells. Their intelligence and technique are often superior to many foreign competitors. They do not want Protection for themselves. They cannot derive extra prices from the home market, even with protective duties, and they cannot practise dumping abroad. Really they are curtailed by Protection.

IV.

Perhaps it will be convenient to illustrate these phenomena by the example of the stronghold of German Protectionism, i.e., the iron and steel industries.

There are two widespread fallacies which are refuted by recent special investigations² on the German iron industry:—

(1) That the great progress of iron producing in Germany (1881, 2.9 million tons, 1901, 7.9 million tons) is especially due to the Protective system introduced in 1879, and that an equal increase will be observed everywhere after Protection has been introduced.

(2) That all Protective railroad rates and customs tariffs must at all times enhance the price of products on the home market according to the Protection granted.

In the first decade after 1879 iron and steel producers very

¹ Cf. *Schriften d. Ver. f. Socialpolitik*, Bd. 92, p. 184.

² Vido Theod. Vogelstein, *Die Industrie der Rheinprovinz, 1888–1900*. Ein Beitrag zur Frage der Handelspolitik und der Kartelle. 47 Stück der Münchener Volksw. Studien, 1902, Stuttgart and Berlin. *Schriften des Vereins für Socialpolitik*, Bd. 106: Störungen im deutschen Wirtschaftsleben während der Jahre, 1900 ff. (Montan- und Eisenindustrie), 1903, Leipzig. *Kontradiktorische Verhandlungen über Deutsche Kartelle*. Heft 1 ff. Berlin, 1903–1904 bei Frz. Siemenroth. Lujo Brentano, *Die beabsichtige Neuorganisation der Deutschen Volkswirtschaft*, Süddeutsche Monatshefte, 1904, München, p. 254 ff. H. G. Heymann, *Die gemischten Werke im deutschen Grosseisengewerbe*. Ein Beitrag zur Frage der Konzentration der Industrie. 65 Stück der Münchener Volksw. Studien, 1904, Stuttgart u. Berlin. André E. Sayous, *La crise allemande de 1900–1902*. Le charbon, le fer et l'acier, 1903, Paris and Berlin. Cf. also "British and foreign trade and industry. Memoranda, statistical tables and charts prepared in the Board of Trade, &c.," 1903, London, p. 296 ss. (in this part chiefly compiled from Sayous).

often failed to enhance the inland price corresponding to the duties, and why? In the beginning of the Protective era there was a chronic over-production. A great technical revolution, the basic process of steel production, gave an opportunity for converting the phosphoric iron ores of the "minette" region,¹ which were until this time nearly valueless, into very excellent iron and steel. The expansion due to the introduction of the Thomas process is the first phase of the Protectionist era. Since an unorganised production demoralised prices, the pig iron producers learned that cartells would enable them to profit to the fullest extent by the accorded Protection in the home market. In December, 1886, the blast furnace owners of Rhineland-Westfalen reconstructed their syndicate.²

The formation of syndicates has, since this time, made enormous progress. But it is much easier for the 108 blast furnace works (number existing in 1901) and for the few great steel works to form syndicates, than for those who work iron and steel into finished articles. The number of works producing small iron articles is 3,755, the number of machine factories 4,011.³ Monopolising syndicates are the more difficult the more numerous works are, and the more the intelligence and skill of workmen and fluid capital influence the result.⁴ The greatest success is obtained by syndicates where a natural monopoly and a small number of works facilitate the coalition. Coal and iron producers and steel works contrived to monopolise the German market. But those rolling mills which do not control iron and coal mines, and do not own blast furnaces and steel works, got a very bad position as buyers from German monopolists. One of them, Fabrikbesitzer Springmann-Hagen, complaining of the practice of dumping practised abroad by the producers of half-finished iron, assured the cartells commission that he was an adherent of the Protective system, but he added: "I am very sorry that I must say: you have demanded protection of your national labour, and we did not grudge it, but you have deprived us, your loyal customers, of the protection of our national labour by your practice

¹ Phosphoric iron ores, the so-called "minette ores," are spread from Luxemburg through Lothringen into France. The iron ores of Lothringen are estimated to be 3000 millions of tons, those of Luxemburg 123 millions of tons, vide *Schriften d. Ver. f. Socialpolitik*, Bd. 106, p. 4.

² Cf. Heymann, l. c. pp. 150-151.

³ Cf. *Kontradiktorische Verhandlungen über Deutsche Kartelle*, Heft 5, p. 110, 114 (edition Siemenroth).

⁴ Cf. *Kontrad. Verh. üb. Deutsche Kartelle*, Heft 5, pp. 4, 48, 247; Heft 6, pp. 374, 380, 443, 457, 463, 559.

of dumping.¹ The complaints of "mere rolling works" without production of iron and steel are nearly of the same desperate tune as the complaints of a wholesale coal merchant, Mr. Vohwinkel, who harangued the coal syndicate: "Ave, Cæsar, morituri te salutant."²

And needle works, machine works, electrical industries, must acknowledge that they obtain no profit at all from the Protection granted to them. They only want Protection because iron and steel, their materials, are made dearer by the influence of duties and syndicates.

Nevertheless, it is to be observed that up to date the machinery and electrical industries have made enormous progress. But this is not due to Protection, which did not very efficiently influence these industries—it is due to inventions and technical skill. These ably-guided industries, the pride of Germany, would perhaps be better off under Free Trade. They do not always succeed in selling in the home market at enhanced prices, which compensate the high price of materials. They are interested in exports, but they cannot practise dumping abroad like producers of finished iron. But, instead of supporting Free Trade, they fancy themselves obliged to help the Protectionists. Their argument is that protected iron works and monopolised coal mines are better customers for machinery, electric installations, &c.³

These arguments will be easier understood if we remember that the chief earners of the profits of Protection, the great coal and steel works, have made enormous technical progress during the last seven years. New deposits of coal in Germany were exploited, valuable ores in Lothringen and Luxemburg were acquired, works increased their production, and gave great orders to the home market. New inventions⁴ revolutionised technical methods. Up to now stagnation or retrograde movement cannot be observed among the chief earners of the profits of Protection in Germany.

But this fact is not due to Protection or syndicates, but to other causes. The special feature of the last years is the stupendous

¹ Cf. *Kontradikt. Verh. üb. deutsche Kartelle*, Heft. 6, p. 564: "den Schutz der nationalen Arbeit, den Sie für sich in Anspruch nehmen, und den wir Ihnen auch gerne gegönnt haben, den haben Sie uns, Ihren treuen Abnehmern, mit diesen Unterbietungen genommen."

² Cf. *Kontradikt. Verh.* Heft 1, p. 229.

³ Interesting discussions, vide *Kontradikt. Verhandlungen*, Heft 5, p. 351-353; Heft 6, p. 373. Vide *Die Nation*, Berlin, 1904, Nr. 50, 51; J. Kollmann, "Die Schädigung der Maschinenindustrie durch die Kartelle."

⁴ Vide *Schriften des Vereins für Socialpolitik*, Bd. 106, pp. 22, 23.

rise of what we call the self-contained or mixed concerns, combinations in the vertical sense of production.

The great independent concerns owning coal and iron mines, blast furnaces, steel works, rolling mills, &c., are now the richest and most influential people in Germany. They have dominating influence in the syndicates.

The big combines are favoured in the iron industry by technical factors, but the process has been hastened by the effects of Protection. Big works owning coal and iron mines, steel furnaces, and rolling mills, and beginning more and more to manufacture bar iron, sheets, plates, &c., from their own materials, crush down other rolling mills, which work bought steel with bought coke. In times of rising prices the independent works, by controlling syndicates, can raise prices of steel and other half-finished articles, so that the competing producers of finished articles must buy their materials dear. In times of falling prices the independent "mixed" concerns in 1901, 1902, dumped their steel abroad, and sold it at high prices in the home market. At the same time they sold bar iron at the lowest prices in Germany and abroad, and robbed thereby their German competitors of the margin of profit. The margin between half-finished iron and bar iron diminished from 31·15 mks. in 1896 to 12·25 mks. per ton in 1901 and 14·35 mks. per ton in 1902.¹ The competitors of the big works are their customers. By the effect of monopoly in the home market, which was favoured by railway and custom tariffs, the producers of coal and steel, especially the big "mixed" concerns, exercise a political and social superiority over all specialised producers of finished articles. The latter have become very respectful and obedient clients of the most favoured men in the Protectionist system. Nevertheless, the number of workmen employed by the industries of finished iron products is estimated to be thirty times greater than the number of hands employed at the blast furnaces.² A policy of protection of national labour had the effect of protecting a small minority. The policy of protection of the national interests ends in a policy of high prices at home,³ and dumping of half-finished iron abroad. The German producers of finished articles ask emphatically the big steel works: "Please treat us as if we were foreigners."⁴

¹ Cf. *Kontradikt. Verh.* Heft 5, p. 60; Heft 6, pp. 495, 496.

² *Kontradikt. Verh.* Heft 6, p. 503.

³ Vide as to prices *Schriften d. Vereins für Socialpolitik*, Bd. 106, p. 61.

⁴ *Kontradikt. Verh.* Heft 6, p. 518: Direktor Schmieding-Barop.

Germany has made the experiment of a policy of new mercantilism. Nearly all the observations of Adam Smith about English mercantilism of the eighteenth century now apply to Germany.¹ Supporters of the actual German policy of Protection would be consistent, if they would use their great influence to prohibit Adam Smith's works. The new mercantilism may be characterised by two facts which have come to light in the last few years.

The first fact is the development of private bounties on exportation. Those who buy coal, iron, steel, in Germany, and work it for export into finished articles, would be able to compete everywhere abroad, if Germany enjoyed Free Trade. But they cannot sell finished articles abroad at Free Trade prices if they buy their materials at home at monopoly prices, due to the Protective system. They want a bounty, a sort of private drawback, corresponding to the enhancement of the prices of their materials in the home market. Mr. Th. Vogelstein reported, 1902,² that at this time wire rolling works received an export bounty of 15 marks per ton, and that the syndicates of coal, pig iron, and half-finished steel and iron contributed each 5 marks to this bounty. But this bounty was only accorded for 50 per cent. of the bought amount, and it only compensated the enhancement of the German prices of materials. It did not give a special profit. From July until September, 1904, according to newspapers,³ the coal syndicate, the new-formed steel syndicate, and the Siegerland pig iron syndicate granted a contribution from their profits by a bounty of no more than

Marks 1.50 per ton of coal.

„ 4.86 „ „ pig iron.

„ 12.50 „ „ weiches Halbzeug.

„ 20 — „ „ Formeisen.

Those who work these materials are watched to see whether they really export their products or not, and the coal syndicate announces that such bounties, after 1904, will only be given to producers forming themselves into syndicates. Those who will not or cannot organise in syndicates, will be heavily damaged,

¹ Vide W. Lotz, *Sonderinteressen und Wissenschaft einst und jetzt*. Berlin 1902.

² Cf. Vogelstein, l. c. p. 82; vide also *Schriften des Ver. für Socialpolitik* Bd. 106, p. 60.

³ Vide *Frankfurter Zeitung*, 14th July, 1904. But it is added that the bounty can be refused to such works as buy some iron from iron-producers who are not members of the iron syndicate.

unless the plan is changed. Generally speaking, the producers of finished articles like machinery and small iron goods are scattered about and very numerous. Therefore a good many of them would be unable to form syndicates, even if they should wish to do so.

But even those who form syndicates and get export bounties are not made happy by them. They are dependent upon those who supply them; their margin of profit is controlled by them; they are very humble and anxious not to displease the mighty monopolists favoured by government and legislation.

Another fact which caused a great sensation was ascertained some years ago. Shipbuilding for sea ships and for the use of the inland navigation is done under very different conditions in Germany. Since 1879 sea-shipbuilders are exempted from duty on all the materials they use. They are not obliged really to buy all materials from abroad. Since they enjoy a special Free Trade privilege, the German coal and iron producers offer to furnish the sea-shipbuilders with German products at Free Trade prices.

Up to now, on the contrary, the builders of Rhine vessels have not enjoyed the privilege of buying materials free of duty. So they observed that their rivals, Dutch shipbuilders, bought German iron cheaper than they did themselves. Holland, without mentionable production of iron, became a successful competitor to the German ship-builders at Ruhrort. But for the iron needed, the construction of a Rhine vessel was about 6,800 to 7,500 marks cheaper in Holland than in Germany.¹

Nobody can praise this paradoxical protection of national labour. Perhaps some of the most striking anomalies will ultimately disappear. The plan of the Protectionist leaders is, that the steel syndicate will control both export and home market, and prevent German materials being furnished to the competitors of German producers of finished products at prices which ruin German labour. The plan is that the producers of finished articles should form also syndicates, and be subventioned by the syndicates of the raw materials and half-finished iron. At the same time, the big self-contained concerns tend to work more and more their own steel into finished articles. But it is more than doubtful whether this programme can be fulfilled.

¹ Report of the Chamber of Commerce of Ruhrort, 1900-1901, Erster Theil, p. 75.

V.

Indeed, serious dangers are imminent from the effect of this Protective railway and customs policy upon prices. Free Trade taxation in England is now blamed by some prominent men as a "profitless" taxation. Germany's actual policy is not at all a profitless fiscal policy. But the profits go into the pockets of great independent works, of monopolists of raw materials, and of producers of articles partly manufactured. By and by the position of those who do not want Protection, *i.e.*, of the producers of finished articles, is degraded.

The process of differentiation is checked, integration is artificially hastened.

Dangers arising from a development which hampers the existence of industries of finished articles would be less pernicious for young countries like America. But the consequences of this new mercantilism are most serious for countries of old civilisation like Germany.

What is the natural advantage of densely-peopled countries of old civilisation, and wherein consists the superiority of their production? The superiority of old countries cannot for a long time be founded on the interests of the "extractive industries" or producers of raw material and half-finished articles. The superiority consisting in rich natural deposits is the special advantage of countries thinly-peopled, and not yet fully developed. Neither England nor Germany can compete with the natural wealth of the new world. But an old country like Germany, without the effect of Protection accorded to the first stages of production, would have a natural advantage in finished articles, in all such branches as require a cheap rate of interest and specialisation, skill, long training of workmen.

The new mercantilism enhances relatively the price of food and of the materials indispensable for producers of finished articles. Some are exempted from these consequences, *viz.*, the big self-contained concerns which do not buy any materials in the monopolised home market. But these independent concerns cannot contrive to do all the work which specialised industries have successfully done. The specialised industries of finished articles have contrived to adapt themselves to the varying demand of the world-market, and have been obliged by competition at home and abroad to adopt promptly all new methods of progress.

The big monopolists cannot do the same work. They have

endangered the existence of their best German customers by demanding high prices at home and low prices abroad. They control the exports of their German customers. Indeed, in many cases they lessen the possibility of continuing exports for producers of finished articles. The system tends to deprive the best men of the advantages of free and independent action.

Syndicates and trusts, it may be said, exist everywhere. Whilst in Free Trade countries they must look for economising in cost of production, the German Protected syndicates look for the highest possible prices, which Protection allows.

Really, it is a battle between producers of finished articles and producers of bulky materials. The latter are favoured, and the former are at the mercy of the monopolists.

The new mercantilism—this is the result observed in Germany—tends to level the natural difference between countries of old and new civilisation. Perhaps responsible statesmen who further Protection and monopolies do not aim at this object. But the effect is to deprive countries of old civilisation of the only natural advantage which they would possess if competing under Free Trade conditions with the new world : *superiority in cheap production of finished articles.*

W. LOTZ

THE PROBLEM OF HOUSING¹

For the last two years I have been continuously engaged, as a Commissioner, in studying the phenomena of the Housing of the Poor, and the problems which arise therefrom, as presented in the evidence laid before the Glasgow Municipal Commission. It is, perhaps, appropriate that I should draw upon the experience thus gained for the substance of my address to-day.

The problem of housing in Glasgow is, in broad outline, very much the problem of all large centres of population and industry. The city grew up, without a plan, in days when the laws of public health were little understood or cared for; when there was little municipal control and little thought for the municipal future. It has now to undo its mistakes.

Fifty years ago people had not, I think, a very keen sense of smell; certainly they did not associate bad smells with danger to health. They did not regard the darkness of the narrow street and the narrow window as objectionable. If I may trust my early recollections, as one who has lived in Glasgow from childhood, they associated smoke too much with their bread and butter to dream of grumbling at it. They were rather afraid of cold water, and baths were almost unknown. Perhaps they were fonder of each other's society than we are; at any rate, they rather preferred to live as many as possible in one room and sleep three in a bed.

When the city came to its senses, about forty years ago, and realised what an Augean stable there was to clear out, it turned to the work with a will. Considering the still unformed state of public opinion, the City Improvement Act of 1866 was a very drastic one. It scheduled whole areas of slums and pulled them

¹ Presidential Address to the Economic Science and Statistics Section of the British Association, 1904.

down, dishousing, within five years, some 19,000 persons; rating ~~for~~ deficits to the amount of some £600,000 altogether; and the burden was borne without much demur. By the time the Act had done its work, the public mind had become thoroughly awake to the danger of letting things alone. Further powers were asked and obtained for closing, demolition, and rebuilding. Four years ago was passed the Building Regulations Act, which, in addition to regulating the construction of new houses, made the provision of sufficient air and light space in front of the bedroom windows compulsory, and this was so far retrospective that over 4,000 houses, conforming to sanitary requirements in other respects, became on a certain date "illegal houses" simply from the fact that they had not the sufficient space outside.

These measures did not pass without criticism, but generally it was recognised that they were demanded in the interests of public health. When, however, it was realised that dishousing on this large scale was accepted by a very large section of the municipality as logically calling for municipal housing on a similarly large scale, public attention was roused. It began to come home to the citizens that very gigantic operations were being carried out, and very gigantic responsibilities for the future being incurred, without, as it seemed, any thorough diagnosis or any definite plan. The whole problem was seen to be one which, in other circumstances, would have called for a Royal Commission. The demand was made for a local inquiry on similar lines; and, when the Prime Minister gave his cordial approval to such an inquiry, the municipality appointed a mixed Commission of nine councillors and six private citizens, with a remit to examine (a) the causes which led to congested and insanitary areas and overcrowding; (b) the remedies which could, or should, be adopted for the clearance of existing congested, insanitary, and overcrowded areas, and for the prevention of these evils in future; and (c) any other phases of or questions connected with the housing problem in Glasgow which the Commission may deem it desirable, necessary, or expedient to consider and report upon.

The evidence, report, and recommendations are now before the public.¹ Generally speaking, they bear out the conclusion that many things hitherto discussed as parts of the Housing Problem are not problems at all, but phenomena which merely need to be known to secure their abolition. Slums must be cleared away; streets must be widened; overcrowding must be prevented; the liberty of the landlord to sell and of the tenant to use insanitary

¹ William Hodge & Co., Glasgow.

houses must be interfered with; light and air space must be guarded as a right of the poor. These are dictates of public health and public morals, and the Commission calls for the firm administration of powers which the municipality already has, and for further powers where these are not sufficient.

Connected incidentally with this there are, indeed, minor problems, such as questions of procedure, of acquisition, of compensation, and the like; but, so far as I am able to judge, the real Housing Problem of to-day narrows itself down to this: how far the experience gained points in the direction of the municipality itself building and owning houses for certain of the poorer classes.

To this the Commission has contributed an answer in so far that, in the special circumstances of Glasgow, it recommends a limited scheme of municipal building and owning. But it adds the words "without expressing any opinion upon the general policy of municipal housing."

I venture to think that there is no more pressing duty now incumbent on economists than to take up this general question. I propose, then, first, to consider building and owning of house property as a branch of municipal activity; and, second, to examine the particular circumstances which suggest a revision or relaxation of general principles.

For a municipality, deliberately and of set intention, to add a new competitive industry to its already manifold activities, is a serious matter from three points of view.

(1) House-owning is a business, and it is neither a routine business nor one where success is certain. So far as it has not a monopoly, a municipality cannot presume upon demand—it cannot be sure of a remunerative sale for the goods it provides. As a builder, it has advantages and it has disadvantages; as an owner, it has also advantages and disadvantages—particularly, perhaps, in that it has a conscience.

Assuming, however, that a municipality can manage its enterprises as well as private citizens manage theirs, and that its house-owning covers all recognised expenses and runs no risk of coming upon the rates, what must be emphasised is that it pledges the future ratepayers for the security of all the capital borrowed. It is short-sighted to conceal the dangers and responsibilities of this by calling such a debt "productive." Borrowed capital changed into stone and lime certainly remains an "asset," but whether the asset is worth much, or little, or nothing, depends on the value which future generations will put upon it. An old mill may be

"good" for half a century more as a building, and yet be worth less than nothing as a mill. So may a tenement of houses, by change of circumstances, lose its rent-producing capacity and call only for demolition, long before it has suffered much deterioration as a building. In such circumstances the ideal kind of house would be one constructed to last, say, thirty years at the outside. But this, of course, is the last thing that municipalities in their present mood would think of doing, and they generally make it impossible by their own building regulations. Besides this, there is the consequence of the "economic trespass"; that dwelling-houses for the poor generally take up the space of buildings of a more remunerative character, and so keep down the rateable value of the area, while increasing its expenses.

(2) It enters into direct competition with many of its own ratepayers, competing not only with the comparatively small class of builders, but with the great class of owners of house property. Apart from the equity of this, which is too large a question to enter on here, the results may be very serious. Free competition of producers to serve the public is, of course, a good thing, and in nothing, perhaps, is it more desirable than in the purveying of houses, where the length of time required for erection tends to some extent towards monopoly. But competition is good because, and to the extent that, it keeps down prices by increasing supply, and the action of a municipality, working with money borrowed at a gilt-edged security rate, is very likely to have the opposite effect; it may result in a positive diminution of the total supply of houses, and so a rise of rent, by reason of the discouragement given to private builders through the appearance of a rival with whom they cannot compete on equal terms. The monopoly which municipalities secure for their other industries prevents such a danger; but it must be emphasised that a municipality supplying a few hundred houses, where the well-being of the citizens as a whole depends on private enterprise continuing to supply some hundreds of thousands, occupies an entirely different position from a municipality providing *all* the water, gas, electricity, or tramway service which the citizens may demand.

(3) By pledging the public credit for a new debt, and adding a new activity and responsibility to already overworked members of the municipality, it *pro tanto* prevents the expansion of municipal activity in other directions. Public functions, however admirable, must be limited by the public purse, and probably will be limited, long before that purse is exhausted, by the ratepayers' revolt against increased rates. This must not be regarded

as special pleading against further increase of municipal duties and expenses. Anyone who studies the growing complexity of city life and its growing requirements of inspection, control, and administration generally, to say nothing of possible municipal expansion in other industrial and commercial directions, must be impressed by the necessity and magnitude of the tasks that lie before public bodies in the future, and must recognise the inexpediency of taking on any new burden without the most serious consideration. He will at least ask that the cost be counted and definite limits laid down. And these limits, in the present case, are not easily laid down. To mention only one thing; it would be exceedingly difficult, on grounds of equity, to justify the giving of an advantage to one class and refusing it to another, and, when that was done, to establish courts and criteria which should define and limit the class favoured. But unless such definitions and limitations were attempted, the municipality would be embarked on an expenditure of which no one could see the end.

These are considerations against municipal building and owning derived from the general principles which should, in my opinion, regulate all municipal expansion. They are not, of course, decisive against it. But they suggest that very definite and weighty reasons must be put forward on the other side.

It will be admitted that the interests of public health, public morals, and industrial efficiency *are* definite and weighty reasons, and I should give the most sincere consideration to the argument of those who ask for municipal housing on such grounds. There are some respects in which the provision of houses seems to come under the natural work of a municipality almost as much as do the provisions of gas and water. The house, as the condition of the home, stands at the very centre of individual morality and health, and, as such, is a direct condition of the efficiency of labour. It is far too little realised that a sanitary and comfortable house among quiet neighbours has a "productive value," and is, quite definitely, one of the factors of wage-earning; in other words, a good house, as compared with a slum, brings with it the possibility of paying a higher rent for it. The consideration which gives strength to the argument for municipal building and owning is that municipal control over certain classes of house—control even violating the sanctity of the Englishman's castle—is necessary in these interests. We have in Glasgow 20,000 houses whose doors must open at any

hour of the night at the knock of the sanitary inspectors. In a city every house is either a centre of good influence or of contamination, material and moral, and, the more closely houses are packed, the more definite the need of positive control and regulation. Such control obviously would be most effective in the hands of a municipality that owned the houses. In view, then, of the actual circumstances of slum life which prevail in every large city, and in view of the hopelessness of escape on the part of the low-paid wage-earner from such contagious influences, there seems *prima facie* a strong case for the provision of at least one and two-roomed houses by an agency which would aim primarily at affording to the tenants the conditions of health, morality, and efficiency, not only in the construction of the houses, but in their continued administration and control. I have always held that the owning of poor-class property carries with it a moral responsibility which is not escaped by the owner shutting his eyes and leaving the administration to his factor; and, on similar grounds, much might be said for a municipality owning and letting all the small houses within its area. This would at least secure a "clean city."

Such a position, then, is quite intelligible as a counsel of perfection, and it might be worth consideration in the case of a city planned, like a garden city, from the beginning. But, in the actual circumstances of our cities, I mention it merely to bring out my point. For there is no proposal before any municipality of to-day of taking over and making a monopoly of the supply of small houses, or even of building all the small houses that are needed in the future. The utmost that has been proposed is the building and letting of a limited number of such houses in direct rivalry with private builders and owners. And the question which must be answered is: On what principle, or with what view, is this limited proposal made?

If it were to afford an experiment, and an object-lesson, as was done with the happiest results in the case of the Corporation lodging-houses in Glasgow, where the rise in the standard not only swept out the old and very objectionable lodging-houses, but led to the large increase of private "models" competing successfully with the municipal ones, there would probably be nothing but approval. It seems a legitimate use of public money to make public experiments which would otherwise not be made, so long as it is recognised that experiments which fail should be given up. But if the proposal is made in the full recognition that such an experiment is not an object-lesson, inasmuch as it cannot be fol-

lowed by private enterprise; if the reason given for it is that a certain class of tenants cannot pay the rent which private enterprise must have if it is to continue its supply, and that the municipality, as having command of capital at a very low rate of interest, can afford to undersell the market rents without coming on the rates, the matter is put on an entirely different basis. The attractiveness of a "clean city" is one thing; the attractiveness of low rents is another.

Let us look for a moment at the principles on which certain services are set aside for the Government to perform. The great mass of the national income is produced by individuals of the community dividing their labour and selling their products to each other, competing with each other as producers to serve the whole body of themselves as consumers. But there are two great classes of services which are not left to individual competition. (1) External defence, justice, police, poor relief, &c., are given over to the Government, the expenses being covered by taxation. The principle of payment is ability, or, more philosophically, equi-marginal sacrifice, on the old Platonic principle that the best state is that which is likeliest the individual, and that the citizen should pay to the national housekeeping on the same scale as he pays to his own private housekeeping. (2) In addition to these, certain other services are given over to the Government, central or local; they are made monopolies, and the products are sold at a non-competitive price. Such are the post-office and telegraph services, and in many cases gas, water, and tramway service. It is with this second class that we are concerned here, and regarding them three points must be emphasised.

The first is that the reason why these services are reserved to Government is certainly not that they can be rendered more cheaply by Government. It is, indeed, a debatable point whether they can be rendered more cheaply; where competition is not allowed, this must remain a matter of opinion. They are always reserved for some ulterior reason of public interest—some interest which might be imperilled in the conflict of private competition.

The second is that, in such cases, the Government services are general services; they are provision, on the basis of the taxpayers' or ratepayers' security, of commodities and services used and enjoyed by the great majority of the citizens.

The third is that in these services, so far as I am aware, there is no precedent for the Government selling to one class at a cheaper rate than it sells to another, on the ground that the class in question "cannot afford it." The poorest man pays a penny

for a stamp; the richest citizen of Glasgow pays no more than a halfpenny for a car-stage.

But in the limited proposal we are now considering, what is being advocated is Government provision of a certain commodity for one class alone, and the ground taken undisguisedly is, that Government can provide this commodity more cheaply than private enterprise can, and that this particular class cannot afford more. It is not, indeed, proposed that the municipality should rent at one price to the richer and another to the poorer tenant; but it is proposed that the municipality should provide houses for one class at a rate which the other classes cannot possibly enjoy.

I do not think the problem can be understood, or its gravity estimated, till it is grasped that here the municipality—the public trustee—is asked to give consent to a new principle and precedent for spending public money. Take the argument in its concrete form in Glasgow. Owing to (a) increased accommodation and conveniences, occasioned chiefly by statutory enactment; (b) increased cost of construction through the rise in wages and in the price of material; (c) increased cost of maintenance, not only owing to the rise in wages, but owing to the frequent abuse and destruction by careless tenants of the expensive fittings which modern science demands; (d) increase in landlords' taxes; (e) increased value of land, especially in the centre of the city:—it seems that houses of one and two apartments are not being built to let at less than £6 and £9 respectively, as against £5 5s. and £8 10s. in 1891. It is represented that there is a class of wage-earners who cannot pay these rents. It is asserted that, in virtue of its advantages, the municipality can build and let such houses at £4 10s. and £8 respectively without loss, and it is concluded, without more ado, that it is bound to do so.

There are two propositions here which cannot be allowed to pass without examination: the first is, that there is a class which cannot afford the higher rent; the second, that this is a valid reason for the municipality providing them with a lower one.

(1) Somewhat to the surprise of the Commissioners, it was given in evidence that, while wages generally have risen, there are labourers in Glasgow who are not earning more than 17s. a week—and these not casual labourers, but able-bodied men, in regular employment, and of ordinarily steady habits. To such a class sixpence a week is undoubtedly a serious consideration, and, although one might be inclined to ask if the sixpence could not, with great advantage to themselves and their families, be taken

off the conventional necessities of drink and, perhaps, tobacco, the point need not be pressed. My reason for doubting if even this class "cannot afford" sixpence a week extra for a house is that one of the causes, perhaps the principal one, why such men earn only 17s. is that they live in conditions which lower health and efficiency, and make them inefficient and unreliable workers. I fully acknowledge that such people could not pay sixpence extra for the rent of a slum such as they are occupying, but I cannot forget the "productive value" of the modern higher rented house. It seems to me that fresh air, and quiet sleep at nights, and surroundings which would react on the character and conduct of the person on whom so much depends—the wife—might easily add far more than sixpence to the earning power of the household.

There is, unhappily, a class to whom this does not, directly at least, apply. There are thousands of workers whose wages are not 17s., but an average of 12s.—regular workers, and workers who could not take sixpence off their liquor and tobacco, for the reason that they neither drink nor smoke. I mean women workers. And to these, I submit, a good house would have a greater "productive value" than to men, for they are more subject to the illnesses and little ailments and depression which dock their wages by hours in the day and days in the month. So far as I can see, they are outside the housing question altogether, from the fact that they could not afford an independent house even at the lowest municipal rents. They must remain in the family as subsidiary wage-earners, or club together, or lodge.

(2) But assuming the very strongest case, that there is a class of unfortunate people who absolutely cannot afford to pay sixpence a week more, I should still say that this in itself is no reason why the municipality should build. To supply them with houses under the market rate would be to introduce a new precedent and principle into Government industries which would lead us far. It would be using the credit of the entire body of the ratepayers to subsidise one small class of them; it would be, in essence, similar to the old legislation which kept down the price of bread when the harvest was bad, with its extenuation that such a measure kept down the price to everybody. It would be a rate in aid of wages. And if there is any lesson to be learned from the bitter experience of a century ago, it is that the evil of a rate-in-aid is, not so much that it punishes those who have to subscribe to it, as that it punishes those who receive it, in that it effectually prevents wages from rising. Let me enlarge on this for a moment.

The employer in towns has certain economic advantages over

his rivals outside. He is at a centre of supply of all the agents of production and at a centre of demand for his goods. The play of competition balances these advantages by imposing on him in general the charge of higher wages--a consequence and possibility recognised by the trade union practice of fixing the standard wage slightly higher in town than in country. Unfortunately there is in all large cities a class who, from physical and mental disqualifications, from want of education and technical opportunity, and from want of organisation, are compelled to take the lowest wage which will keep them in life and moderate animal efficiency; and this class tends to be in over-supply from the fact that misfortune drains into it the failures of all the other classes. The existence of this class is a public misfortune; their low wages are not only bad of themselves, but they go to the very root of the future of labour, in that they prevent the children from getting out of the class. Rising rent, the natural effect of a large population and great business premises competing for a limited area of situation, is the healthy deterrent of the abnormal influx of such labour. For a municipality to give these unfortunate people houses sixpence a week cheaper is to allow of them accepting sixpence a week less of wage than the circumstances would otherwise force the employer to give. It is not, of course, that employers, taking advantage of the helplessness of this class, would deliberately force their wages down by sixpence. It is that, in the present highly specialised organisation of industry, unskilled labour is in less and less demand, while, from the circumstances mentioned, it tends to be in over-supply; and this surplus labour offers itself for any wage that will keep it alive. As Mr. Booth says, "the poverty of the poor is mainly the result of the competition of the very poor." To deny such a causal connection between wages and public subsidies on the ground that it is "only sixpence a week," or that "people do not come into cities because they can get cheap houses," is like refusing to believe in natural law because one cannot actually see the minute movements which constitute its operation. If, then, it becomes known that, in addition to the other attractions of a city, good houses at slum rents are assured to everyone who is poor enough, it seems to me inevitable that this will further tempt the influx of unskilled labour--and, unhappily, farm labour, skilled in its own fields, becomes unskilled when transferred to the streets and factories.

This, then, being the general argument against municipal

building and owning of houses for the poorest classes, I go on to consider if there may not be circumstances in the evolution of a city which may justify the relaxation of the principle. Glasgow again affords an object-lesson. If the houses which are a danger to public health, as hopelessly insanitary, are pulled down; if "back lands" and obstructive buildings are demolished; if the houses which are by law pronounced "illegal," and cannot, from their structure and situation, be altered, are closed; and if the overcrowding laws are put sternly in force, something between 15,000 and 20,000 persons will be turned out, and will not be able to find houses at rents such as they were paying—for these measures will practically root out the low-rented houses in Glasgow. Many of the 15,000 or 20,000, no doubt, are well-paid wage-earners, who will be the better of being forced into higher-rented houses; many of them, again, are dissolute and drunken persons, who should be "hustled" from pillar to post till there is no room for them among honest people. But many of them, in all probability, are respectable persons who, from the causes already mentioned, have come down to the 17s. a week level. What are these people to do? Granted that the low-rented slum property should never have been allowed to come into existence or continue; granted that the best thing that could happen to such labourers as a class is that it should be made impossible for them to accept these low wages; still, it is a very drastic thing to take away the patient's bed in order to force him to walk.

Here I am chiefly impressed by two things. The first is that it is municipal inaction and municipal action which are responsible for the hardship.

(a) It is by no fault of their own that the people to be dispossessed are in occupation of these low-class houses. The municipality for years allowed these houses to come into and remain in existence, and, to that extent, the municipality is responsible for the low standard of life which allowed the tenants to take the low wages.

(b) It is to a great extent new municipal requirements that have made it impossible to build houses which can be let at the old rents. To mention only a few of these: each adult must have 400 feet of air space, which means larger apartments; there must be ample sanitary appliances, involving expensive plumber work; there are regulations providing for a certain thickness of walls and solidity of construction, which many builders declare quite unnecessary.

The second is that, on its way towards conferring a great public

benefit, this municipal action is likely to inflict serious hardship on a class who are least of all able to bear it. It is a recognised principle, in the science of public finance, that the charge of any general public benefit defrayed from rates or taxes should be spread over the citizens in proportion to their ability. In the present case, we have a great beneficent measure of public health by which all the citizens will gain, and gain in quite indeterminate measure; and, although this is not defrayed from the rates, by parity of reasoning it seems to follow that one class, and that the least able to bear the burden, should not be made to bear the heavy end of it. Granted that, by the operation of ordinary economic law, wages will ultimately rise to cover the higher rent demanded by private enterprise, and granted also that the houses at a higher rent have a "productive value" which will itself enable the tenant to pay more rent, in virtue of giving him immunity from sickness, depression, low vitality, and bad neighbours, still this operation takes time, and, till time is given for the economic forces to work, there will be great hardship.

There is, besides, an opportunist argument. There seems to be no doubt that the magistrates and responsible officials have hitherto shrunk from carrying out their powers because of the hardship that will be entailed. If this hardship can be avoided, there will remain no excuse and no reason for not proceeding rigorously with measures which otherwise might be somewhat extreme.

It is in consideration of these circumstances that the Glasgow Commission has recommended the erection by the municipality, up to the extent of certain powers possessed by them under special Acts, of tenements of one and two-apartment houses, to be reserved exclusively for respectable people of the poorest class, preference being given to those dispossessed; such houses to be situated, if possible, near to the area of dispossession, and to be under carefully selected caretakers.

It will be seen that the amount of building recommended is limited, the money which the municipality can spend under the Acts referred to being fixed and known. One would have liked, perhaps, that it should have been more rigorously limited. It would have been quite possible to take a rough census of the people dispossessed and build houses only to the number necessary to accommodate those who really suffer by the dispossession—the respectable poor at low wages. And what one would have liked, besides, was the clear laying down of the principle that this is an exceptional measure, due to an exceptional set of circumstances which can never occur again if the municipality lives up to the

powers it has sought and obtained from Parliament. Insanitary and illegal houses should never again be allowed to come into existence. Overcrowding can now be rigorously kept in check. It will clearly be the fault of the municipality if such a problem recurs.

But, on the whole, the recommendation seems to me a wise one. It escapes the chief objection, that of tempting an influx of new unskilled labour. It does not add to the supply of cheap houses, but merely fills the gaps which municipal action has itself caused. It has not advised the drastic step of compelling a rise of wages by suddenly making it impossible for a class to live without paying higher rent—which would have been accompanied by the serious danger of driving many over the verge of subsistence—but it does not give any occasion for still further lowering wages; and there is the positive good that the houses to be provided are such as naturally make men and women better workers, commanding a gradually increasing wage.

There is, indeed, I am afraid, a "loose end" in the result of the Commission. To its subsequent regret it was confined, by the limitations of its remit, to the consideration of housing within the city boundaries, and Greater Glasgow is growing more rapidly outside these boundaries. I said that the problems of Glasgow grew up because the city refused to look forward and lay down the lines of its growth. Unhappily, that course is still forced upon it, in that it has no control over the operations of its suburbs. Everyone knows that, in the near future, Glasgow must extend its jurisdiction and responsibilities. There is too much reason to fear that, when that time comes, the city will fall heir to the same problem as it has now to face—insanitary property and ill-planned districts. This is a problem of all growing cities, and, in my opinion, a most urgent one.

But this is not the whole of Glasgow's answer to its Housing Problem. The municipal houses are to be reserved for the respectable poor. What about the non-respectable—probably the majority of those who will be dispossessed? So far as I can see, the criminal and the dissolute have no claim on the community so far as regards housing. They must be "hustled"; that is, life must be made as difficult as possible for them, till either they can find no rest for the sole of their foot among decent people, or are driven to reform. And this hustling will be done to a considerable extent when all the insanitary and illegal houses are done away with, when the Corporation houses are closed against them, and when private enterprise is assisted to get rid of them, as the

Commission recommends, by more stringent laws against the habits of disorderly and destructive tenants, and by more summary powers of ejectment. But there are many who are neither criminal nor hopelessly dissolute, and yet cannot rise simply because they are down. They have lost their character; money cannot rent them a decent house because they have no factor's line or other guarantee that they are fit for the possession of it. It is this class, perhaps, that will be most heavily hit by the dispossession, and for them also it seems that some compensatory provision should be made by the municipality. And this seems also in the interests of the community, for, if these people are not lifted up, they will be driven down.

Hence the recommendation of the Commission that "an experiment should be made in the erection of a building or buildings for those who, while unable to show any factor's line or other certificate, are willing to submit to necessary regulations as to cleanliness, respectable living, order, and punctual payment of rent, with the view of rehabilitating their character, and in time qualifying for a better house; such houses to be of the plainest construction, with indestructible fittings, and capable of being quickly and efficiently cleansed."

It is avowedly an experiment. The difficulty is not to provide such houses, but to get the proper people to go into them. If any social obloquy is allowed to attach to these houses, the proper people will not go into them. But it is an experiment to which I think everyone will wish God-speed. At any rate, it removes the last excuse for not going forward systematically, rigorously, and continuously with the renovation, closure, and demolition of bad houses, and with the prevention of overcrowding, which are the beginnings of any solution of the Housing Problem.

WILLIAM SMART

ANTICIPATION IN THE COTTON MARKET¹

OUR object in this paper is to offer a close analysis of the workings of organised anticipation in the cotton market, and not merely to find arguments for or against the views that dealings in "futures" raise prices, or lower prices, or render prices unsteady.²

¹ The authors are greatly beholden to Mr. R. J. Allen, Secretary of the Manchester Cotton Association, for much valuable information.

² The effect of "futures" might be sought by more than one method. A comparison could be made of the prices which are directly under the influence of "futures" with those that are not, or those that are under their influence in a less degree, the same commodity being taken. This method was pursued by Professor Flux, chiefly with reference to wheat, in his report as secretary of a committee of Section F of the British Association appointed to consider the effect of dealings in "futures" on prices in raw produce markets. See also Mr. R. H. Hooker, in *Journal of the Statistical Society*, December, 1901. Unfortunately it is subject to a defect which prevents it from establishing more than a probability. The data cannot be freed from the influence of counteracting causes so as to render the application of the method of difference convincing. If different periods are selected for comparison, so early a period has to be taken as representative of the times before "futures" were in operation that economic conditions wholly dissimilar from those of the present are brought into the problem as disturbing features. Dealings in "futures" have only gradually attained their present magnitude, and while this change has been taking place in the market other economic changes have been taking place also. If we confine our attention to one period only and contrast the prices in a market containing "futures" with those in a market, placed in somewhat similar surroundings, from which "future" dealings are excluded, we may be sure that the prices in the second market are not wholly independent of those in the first market. The direct influence of "futures" may have been removed, but the indirect influence, which may be very powerful, remains. Again, should we compare, in respect of the movements in their prices, a species of commodity which is not sold by "futures" with another species of the same class which is sold by "futures" (for instance, Oomra cotton with American cotton), we are confronted with this dilemma, that either the two species are substitutes in some degree, in which case "futures" influence the prices of both, or they are in no degree substitutes, in which case the several conditions of demand may be wholly different. The conditions of supply being somewhat different in the two cases is a source of error that could be eliminated without great difficulty. Again, should we institute a continuous comparison, making our method that of

A few words must be said first of some general characteristics of the cotton market. There are many qualities of cotton, but the short fluctuations in the prices of all of them take place as a rule at the same time and in the same direction. The reason is that the various qualities of cotton are bound together, directly and indirectly, by processes of substitution, and that many of the influences which bring about short fluctuations are common in their direct incidence upon all qualities of cotton. The differences between the various grades of cotton alter less than one would at first be inclined to imagine, in consequence of substitutions of one grade for another counteracting the effect of the temporary scarcity of one species. The extent to which substitution is possible, and the identity or otherwise of the physical conditions to which any two classes of cotton are subject, lay down the limits of divergence between their prices. Thus the better qualities of Egyptian cotton and Sea Island cotton are more independent of the better qualities of upland American cotton than the latter are of "middling" American cotton.

Another characteristic of the cotton market, which follows upon the periodicity (as opposed to continuity) in the supplies of cotton,

"concomitant variations," we could not prove incontrovertibly that any progressive change in recent times—for instance, in the degree in which prices oscillate—supposing such a change to be discovered, was caused wholly or even partially by the extended use of "futures," in view of other concomitant variations in economic conditions, though a high probability might be established. Another method of dealing with the problem is to trace as closely as possible the ramified workings of anticipation in a developed market, at "seen" and "unseen" levels, in the hope of establishing premisses from which an approximate solution may be deductively derived. To give such an account of "futures" in the cotton market is our object in this paper, and we trust that our analysis may reveal features that are of economic interest in themselves, as well as material by which the solution of the problem of "futures" may be assisted. Our chief aim, we must state again, is to analyse and explain, not to make out a case one way or the other on a burning question. In noticing, though only cursorily, methods of determining the effect of "futures" on prices, we ought to remind the reader of the comparisons made by Cohn, Kantorowicz, and Emery, of the prices of "futures" some time before the "futures" fall due with the "spot" prices when they fall due. Cohn dealt with rye, Kantorowicz with both rye and wheat, and Emery with wheat and cotton (see Emery's *Speculation on Stock and Produce Exchanges of the United States*, p. 132 *et seq.*). We cannot here pause to examine the results, but it should be pointed out that the method employed was either an incomplete application of the method of concomitant variations mentioned above or else it assumed that "future" prices and "spot" prices were independent variables in an appreciable degree, which required proof. In any event, granting the assumption, a more direct line of proof than the comparisons instituted, by which disturbing factors could have been more completely avoided, might have been pursued. But these are matters for discussion in a paper with more exclusive reference to the effect of "futures" on prices than the present paper.

is that prices assume new levels each year. These levels are not always very clearly marked, but as a rule they can be traced, and it is noticeable that in almost every case prices settle at their new level only after the crop has been in sight for some weeks. The reason is that the fruitfulness of the new crop is not at once apparent, and that the responses to the new conditions of demand cannot be immediately gauged. For the first few weeks after the fresh supplies have begun to enter the market, and even in the weeks just previous, the market feels its way to its new level. It is assisted to its new position by estimates of the area of cotton under cultivation, and the conditions of the crop published by the American agricultural bureau at the beginning of the months of June, July, August, September, and October of each year. "The basis or unit of comparison is 100, which is the standard of full condition, representing perfect healthfulness, exemption from injury from insects or drought or other causes. With average growth and development, 100 means a prospect for a full crop." We have stated below the estimates as periodically revised for the years between 1899 and 1902.

Year.	June 1st	July 1st.	August 1st.	September 1st.	October 1st.
1899	85.7	87.8	84.0	68.5	62.4
1900	82.5	75.8	76.0	68.2	67.0
1901	81.5	81.1	77.2	71.4	61.4
1902	95.1	84.7	81.9	64.0	58.3

As the realised crop is invariably less than the early estimates, it would seem that at each forecast an attempt is made to state the maximum crop possible, in view of its state at the time, and not the crop which experts regard as likely. Numerous private and unofficial estimates are made in addition from time to time.¹

In the marketing of cotton "futures" play a leading part. "Futures" is the name given to those contracts which dealers enter into when they undertake to deliver at some future time goods or commodities at a price fixed in the contract.² "Futures"

¹ The official estimates and all statistics bearing upon cotton will be found in Shepperson's *Cotton Facts* (last ed. 1903), and Jones' *Handbook for Daily Cable Records of Cotton Crop Statistics*. Messrs. Turner, Routledge and Co. also publish price curves. Daily prices will be found in the bulletin of the Liverpool Cotton Association, and in *Cotton*, the publication of the Manchester Cotton Association.

² Generically, an "option" is a future, but futures as commonly used are not taken to include options. We are not concerned with options here, but a brief account of their character will not be out of place. An option is single or double: if single, it is a "put" or a "call"; if double, it may be taken as either at the choice of the

are by no means limited to the cotton market, and appear, or could appear, in all markets, the commodities of which may be bought on the basis of "grades" that are more or less permanently fixed. Although the general nature of "futures" is in all cases the same, they might differ significantly in form; for instance, delivery within fixed periods of various extent may be at the option of buyer or seller. Here, however, we shall confine ourselves to a description of those "futures" which circulate at Liverpool, and are based upon American cotton.

The unit of a deal in "futures" is 100 bales. They are quoted for the current month, and successive periods of two months for some ten months ahead. Hence, on any day in June we find futures quoted for June, June-July, July-August . . . February-March. The seller of, say, June-July "futures" must deliver cotton at some time in June or July, but the time of delivery within those two months is at his option. The seller must notify the buyer when he proposes to deliver, and the buyer must select a time for accepting the cotton within ten days of the date of the notice served by the seller. The quality of cotton to be delivered, within limits laid down by contract, is also at the option of the seller, subject to the payment or receipt of "points on." Before October, 1901, "futures" were quoted "basis middling, low middling clause." They are now quoted "basis middling, good ordinary clause." This means that the dealer may tender good ordinary cotton or any higher quality of upland cotton. The differences between the value of the cotton delivered and that of middling are paid one way or the other. To settle these differences arbitration is necessary. The buyer and seller pay £1 1s. each to cover the expenses, a sample is taken from every bale, and the "points on" are fixed for each bale separately. If either party is dissatisfied with the award he may appeal to an Appeals Committee on paying £3 3s., which, in case his appeal is upheld, must be refunded to him by the other party.

purchaser. A "put" is a power to sell cotton at some time in the future at a price fixed in the contract. It need not be exercised; but, if the price of cotton falls below that mentioned in the contract during the time of the currency of the "put," it will be exercised. The man with the "put" will receive the difference between the two prices, but whether he gains or loses depends upon whether this is greater or less than the price paid for the "put." If the buyer of the "put" gains the seller does not necessarily lose, since in view of his obligation he may have so dealt in futures as to come out as a winner also. The "call" is just like the "put," except that it is a power to sell. The double option is a power to buy or sell at choice. The man who buys a "put" insures against the market falling, but stands to gain if it rise. In the case of a "call," the insurance is against the market rising.

Weekly settlements are customary between brokers, and are very frequent between brokers and their clients. Settlement days fall on Thursday, and the closing price of "futures" on the preceding Monday is taken as the basis of the settlement. On the first occasion the difference paid is that between the price at which the deal was entered into and the making-up price of the first subsequent settlement day, and on all other occasions the difference between making-up price and the preceding making-up price is taken. From all differences interest at 5 per cent. is deducted for the time between settlement day and the tenth day of the second month on which the "future" elapses, since "settlement terms" mean that money is paid in instalments before it would be due, but for the system of periodic settlements. The differences may be very large sums. The unit of a "future" being 100 bales, an alteration in the price of cotton of *10d.* causes a difference on each unit of £2. On each unit as much as £100 must be paid if the price of cotton move one halfpenny. Brokerage must, in addition, be paid on the value of the "future" when it is bought or sold by a person who is not a member of the Liverpool Cotton Association, and this institution imposes a charge of one shilling on every deal in "futures."

It is evident that to a spinner "futures" are not a satisfactory means of obtaining cotton, for any grade of cotton within a wide range may be delivered, and many grades might be of no use in his mills. A spinner who uses "futures" is more likely to sell them before they become due, and buy "spot" cotton of the quality that he needs. "Futures," however, cannot be a perfect cover, for the "points on" (that is, the differences in price between the different qualities of cotton) are variable, and the differences between the prices of "futures" and "spot" are variable also, in some slight degree, even in the case of current "futures" and those which have almost run out. The sole means by which the spinner can escape the uncertainties of the future is the "deferred delivery." In the case of "deferred delivery," the "points on" are fixed beforehand and the cotton (so much per month) is at the call of the buyer. This is a *bona fide* transaction in cotton between a spinner and a broker, and, except in so far as it is a contract for delivery of cotton in the future, it is entirely different from the "future," as that term is generally understood.

We will now consider the relation between "future" prices and "spot" prices. A distinction must be drawn between the "futures" which culminate in the cotton year in which they are created and those which run into another cotton year. A

cotton year may be taken to extend, roughly, from September to August.

There is often a marked break between the price of a July-August "future" and that of an August-September "future," that is, between the last "future" culminating entirely in the old crop period and the first one running into the new crop period. This may be seen in the diagram.¹ Sometimes, when the market is abnormally high through shortage, the break will appear even in the July-August "future," for small deliveries of cotton, such as may be expected in August under the influence of high prices, would affect prices significantly. Thus there are the following quotations in pence and hundredths per pound, for example, made on the dates given in the first column :—

FUTURES.

1903.	Spot.	May-June.	June-July.	July-August.	August-September.	September-October.
February 23	5.38	5.24½	5.25	5.23	5.12	4.84
" 24	5.36	5.20½	5.21	5.20	5.9	4.80
" 25	5.30	5.16	5.16	5.11	5.5	4.76
" 26	5.38	5.27½	5.27½	5.19	5.15½	4.83
" 27	5.40	5.28	5.28	5.26	5.16	4.85

The expectation of unusually early harvests would, of course, have the same effect.

The second "future" culminating in the new crop period is often distinctly lower than the first one. The explanation of this is that the influence of the new crop is not felt so fully in September as in October. On an average of the last ten years not quite 10 per cent. of the new crop came into sight in September; in

¹ In the diagram it will be noticed that these quotations of "futures" appear :—

August-September
September
October
October-November

instead of the usual :—

August-September
September-October
October-November.

The explanation is that the customary overlapping of "futures" had to be broken towards the close of 1901 to allow of the change from "basis middling, low middling clause," to "basis middling, good ordinary clause," which took effect from October 1st, 1901, as we have mentioned above. The change may have had a slight effect in depressing "futures," since lower grades of cotton were rendered tenderable on allowances, but the effect, if any, was inconsiderable. The general relations between the "futures" of different periods when the market is "high" (see p. 552), which are exhibited in the diagram, may be taken as holding generally.

October 20 per cent. came into sight; in November almost 20 per cent.; in December $17\frac{1}{2}$ per cent.; in January 10 per cent., and in the subsequent months ever decreasing percentages.

The break in the continuity of the prices of "futures" between two crop periods, when it occurs, results from different crops being referred to and different degrees of evidence as to each crop being before dealers. In the case of the coming crop, nothing more may be known than the approximate area under cultivation; but if the present "spot" price is unusually high dealers will feel justified, on the ground of past experience, in quoting a much lower price for cotton of the future crop than for current "futures." The "spot" price and the price of "futures"—but the latter in a much less deviating fashion, because it is less under the influence of the disturbances due to urgent demands and existing stocks of cotton—may frequently be observed feeling their way to a new price level as information about the new crop becomes more complete, and as the crop comes into sight. Expectations as to demand also play their part in guiding price movements, it is almost unnecessary to add. The break to which we have been referring, between July-August and August-September "futures," does not, of course, take place invariably. A considerable gap occurs only when a lower price level is expected in the coming year. Indeed, the prices of August-September and September-October "futures" have been higher than those of current "futures." This may happen when certain high levels of future prices are anticipated. The explanation of the price of the more distant "future" lying above that of the current "future," instead of just below it, will be found in the analysis which follows.

Every "future" runs out at a small variable amount below "spot" price.¹ This follows naturally from the disadvantages of "futures" over "spot" which have been emphasised above, and these disadvantages are variable. The vast majority of transactions in "futures" towards the end of any current month are those of dealers buying back their "futures." Generally speaking, the dealers do not wish to deliver cotton, and the buyers do not wish to receive it; hence, a price is reached at which dealers prefer to buy back their "futures" rather than deliver cotton, and which the original buyers prefer to receive rather than have the cotton delivered to them.

¹ In comparing prices, one must be careful to observe that they are taken for the same time. The "future" prices quoted may be for late business after the price of "spot" has been recorded, and influences in the market may have undergone a change that would have affected later deals in "spot."

We will now pass on to consider the relations between "spot" prices and the prices of "futures" with different periods to run, apart from the breach of continuity mentioned above.

The prices of "futures" move almost invariably as the price of "spot" cotton. Shortly stated, the explanation of this fact is that "spot" cotton and near "futures" are substitutes within limits. A rise in the price of spot cotton means an existing shortage, or an anticipated shortage, in the very near future, and this is reflected in the offers of cotton for the future. Conversely, a rise in the price of "futures" which indicates doubts as to whether the total supplies will last at the present rate of consumption, is accompanied by a tendency to hold the existing stock more tightly. As the price of "spot" cotton rises, purchasers, except those for immediate needs, are checked, and the buying of "futures" takes their place, and *vice versa*. This influence is propagated from one time of "futures" to another—from February-March "futures" to March-April "futures," and so forth—with diminishing intensity, but with sufficient force nevertheless to cause the prices of the various lines of "futures" to move together. A slight counteracting movement is set up by the operations of importers, who, when the price of cotton rises, order cotton from abroad, and sell "futures" as a hedge; but with a rise in cotton others are buying back their "futures" and selling their cotton.

The sum of the forces described in the above paragraph would appear also to be a sufficient explanation of another feature of prices in the cotton market to which we desire to draw attention, namely, that the prices of "futures" and "spot" cotton keep remarkably close to each other. They keep close to one another because they are not independent of one another; within limits they are connected as alternatives by the principle of substitution. However, cases sometimes occur in which the prices of "spot" and "futures" vary together without the latter following closely an upward trend of the former. Such cases, no doubt, might all be grouped as instances of "spot" prices being suddenly affected by immediate and unforeseen calls, which cannot wait for fresh imports, when stocks at hand are short. Under such circumstances the price of "futures" rises, as the outcome, for one reason, of some substitution of "futures" for "spot" cotton being made. But the rise is checked by the substitution being limited, and by the fact that an unlimited supply of "futures" will be forthcoming at a price much below that reached by "spot" cotton, since the temporary character of the upward movement of "spot" prices is generally understood.

That close connections are preserved, as a rule, between "spot" prices and the prices of any group of "futures" lying in the same crop period is true, however, only in the rough. We must now proceed to define these connections more exactly.

In the relations between "spot" prices and the prices of the "futures" for the different months, three cases are possible:—

I. "Future" prices may fall by increasing amounts below "spot" prices according to the remoteness of the culmination of the "future." A very good example of this is to be found in the diagram.

II. "Future" prices may rise steadily, according to the remoteness of their culmination, above the price of current futures, which will be below "spot" prices, as we have noticed above. The rise may even pass "spot" prices, but this can happen only very seldom. An example of the relations in this direction between prices, in which also the prices of some distant "futures" did pass "spot" prices, is given below. The prices are stated in pence and sixty-fourths, and those above "spot" are printed in blacker type.

1899.	Spot.	January.	January-February.	February-March.	March-April.	April-May.	May-June.	June-July.	July-August.	August-September.	September-October.
January 13.....	3-10	3-5½	5½	6	7½	8½	9½	10½	11½	12	12
" 14.....	3-10	5½	5½	6	7	8	9	10	11	11½	11½
" 16.....	3-8	4½	4½	4½	6	7	8	9	10	10½	10½
" 17.....	3-8	4½	4½	5	6	7	8	9	10	10½	11
" 18.....	3-8	6½	6½	6½	7½	8½	9½	10½	11½	12	12½
" 19.....	3-12	9½	9½	9½	10½	11	12	13	14	14½	14½
" 20.....	3-12	9	9	9	9	10	11	12	13	13½	13½

The rise, it will be observed, is carried in this case even into the new crop period.

III. "Future" prices may at first fall with the remoteness of their currency¹ and then double back, so to speak, and begin to rise. The following is a good example:—

1899.	Spot.	September.	September-October.	October-November.	November-December.	December-January.	January-February.	February-March.	March-April.	April-May.	May-June.
September 12...	3-34	28	26	24½	23	23	23	23½	24	25.	25½
" 13...	3-34	28½	26½	25	23½	23	23	23½	24	25	25½
" 14...	3-36	30	28	26½	25	24½	24½	25	25½	26	27

¹ A "future" is said to be "current" in the period in which cotton may be delivered against it.

The lowest "futures," it will be observed, are December-January and January-February. From this point there is a rise backwards and forwards. If a new crop period is brought into the field of observation, we may notice here, two doubles-back in prices may take place. In addition to the double already noticed, there may be a fall in the prices of "futures" from July-August to August-September, and again to September-October, and so forth.

These different relations between the prices of the various sets of "futures" are to be accounted for as follows :—

(a) Other things being equal the longer a "future" has to run the greater is the probability of cotton being purchasable at a low price against it (or of "futures" being purchasable back at a low price, which comes to the same thing).

(b) Holding cotton against "futures" is an expensive operation, and the more expensive the longer the cotton has to be held. To cost of transport and cost of storage must be added interest, and the discount rate is a variable.

(c) There may be general expectations of the market rising or falling.

Obviously, if the market is expected to fall steadily on the whole, the prices of "futures" will be less the further their currency lies from the present. And it is equally obvious that if the market is expected to rise the more distant the "futures" the higher will be their price. The price cannot rise above the price of "spot" plus the cost of holding cotton; but this cost will be the greater the longer the cotton must be held. There are circumstances under which the chances of the market are in favour of the seller the longer the time given him to prepare to meet his contract, within limits; but when these limits are passed the chances of expensive holdings of cotton being involved increasingly surpass the chances of gain. Needless to say, the operator in "futures" does not argue, as a rule, as we have argued above. He thinks only of the prices that are likely in the future, and of the payments of differences that may be necessitated by waiting, and never dreams of holding cotton. But there are others who are regulating their sales of cotton by estimates of future prices, as well as by present prices, and whose holdings of cotton are consequently influencing the prices at which future deliveries are being offered.

The differences between the prices of "spot" and the various classes of "futures" are variable. This follows from the preceding argument.

The relations between the prices of the various sets of

"futures" and "spot" are in a state of constant movement, both in direction and quantity. In the case of our diagram the market is to be taken as "high," that is, there is expectation of a fall in price taking place even within the same crop period; hence "futures" lie well apart and the most remote is lowest. But as the market drops the "futures" flow together, and with a further drop many of the "futures" would have crossed others and assumed new positions in relation to the others.

Dealings in "futures" are influenced not merely by present prices, but also by the relations between crops and the prices of recent years from which the norm of the year in question should be generally deducible. "Future" prices are a compromise between present prices, which are based largely on experience, and the probability of movements according to past experience. The "future" price being less under the dominance of present needs and facts than "spot" price, is more likely to follow the guidance of experience. But it must not be supposed for a moment—and we do not imagine that it will be supposed—that "spot" price stands for market facts unaffected by enlightened speculation, while "futures" alone represent *a priori* and empirical guesswork. The truth of the matter is, as we have already indicated, that the "spot" price, as well as the price of "futures," is dragged up and down by estimates of future supplies and future needs. The view that we have just put forward to account for such large discrepancies between "spot" and "future" prices as occasionally appear, is merely that the "future," standing as it does for a future obligation only, is never under the dominance of temporary inadequacy in supplies, and much less under the influence of the facts here and now that press constantly upon the importer. A man who is selling for eight or ten months hence, and who has sold cotton for years, and knows that ups and downs may be expected in all years, good and bad, fixes his prices in a condition of some detachment from the immediate state of the "spot" market. It is true that in doing so he cannot but "bear" the "spot" market indirectly, but the effect of the "bearing" operations is largely modified by existing supplies in relation to such present demand as is comparatively urgent.

The "spot" market is more immobile than the "future" market. Fluctuations in the latter are more frequent if less violent. The cause of the greater mobility of "future" prices is partly that in the "future" market there is more scope for reasoned imagination than in the "spot" market, and partly that a far greater quantity of business takes place in "futures" than in

"spot," and that the deal in "futures" is very rapidly effected. Inasmuch as no payments are required from those speculating in cotton except "differences" or covers against "differences" until deliveries are made, if they should be awaited, persons with little capital are enabled to deal in "futures."

From the foregoing argument it might plausibly be conjectured that "futures" have added to the frequency of oscillations in "spot" prices, though they may have diminished the magnitude of these oscillations.

A few words more must be said here of the grounds for the difference between "spot" prices and anticipated "future" prices within the same crop period, or, expressed in another way, the grounds for the judgments that the "spot" market is in certain degrees "high" or "low" with reference to a supposed norm for the crop year. Such judgments can certainly be made after the event, for the "spot" market fluctuates considerably within each crop period. But this is not sufficient for our purpose, since the statements must be predicable of the market at the time, if they are to explain the positions held by distant "futures" in a low and a high market. It would seem at first as if the passing of any such judgment generally on the market at the time were impossible, since, were it possible and general, a movement in the "spot" market would at once render such judgment no longer true. One would be inclined to suppose that the "spot" price at any time would represent the resultant of existing opinions at the moment as to the price at which the whole crop would sell, in view of the year's demand and supplies. However, this, we are inclined to think, for reasons already given, is an incorrect notion. The "spot" market appears to be driven into one position by present demands in relation to Liverpool supplies and the cotton on the way, and by other forces which are more far-reaching, perhaps, but still forces in which reasoned imagination has not played a large part. In the light of imagination founded upon the present "feel" of demand, the facts of the moment, estimates of the crop, and the relations between sales, crops, and prices in previous years, the "spot" market is criticised and judged to be "high" or "low" in relation to the conceived norm. Thus, by the play of judgment upon judgment, the differences between the prices of the various sets of "futures" and "spot" are determined, and also the directions in which they shall lie. In a degree "spot" prices and "future" prices may be taken as independent variables.

It is the variability of the differences between the prices of "futures" in respect of various grades and qualities of cotton, and

between the prices of "futures" with different periods to run, which has given rise to the kind of speculation known as a "straddle." A straddle is a speculation in these differences solely. The speculator may operate in one way so as to gain if the difference upon which he is speculating increase, and in another way so as to gain if the difference decrease or the dearer "future" become the cheaper. His gains or losses are in nowise affected by upward or downward movements of the market as a whole. Obviously, as a result of "straddling" on the part of those qualified to deal in the Cotton Market by the possession of experience and information, the prices of different "futures" are brought into the relations which, by common opinion, they ought to bear in view of the general impressions as to demand and supply.

An example will make the nature of the straddle clear. Suppose a dealer buys April-May "futures" at 4*d.* a pound, and sells the same quantity of May-June "futures" at $4\frac{1}{4}$ *d.* a pound. Then, whether prices rise or fall as a whole, he gains if the difference between the two prices becomes less than $\frac{1}{4}$ *d.*, but, if it becomes more, he loses. On the other hand, had the dealer bought May-June at $4\frac{1}{4}$ *d.*, and sold April-May at 4*d.*, he would have gained in the case of the difference increasing, and lost in the case of its decreasing.

In conclusion we should like to draw the reader's attention to the point that, in the event of our explanation of the changing relations between the prices of near and distant "futures" proving correct, the effect of "futures" upon the extent of oscillation in "spot" prices may be read from these relations. It remains to examine these relations over a lengthy period and in different markets in order to gauge what the effect, as thus exhibited, has been. The obstacles in the way of straightforward induction and the inconclusiveness of the *a priori* argument render another line of proof of some importance.

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LONDON'S TAILORESSES.

THE Women's Industrial Council has, during the summer of the year 1903, been making an inquiry into the work of women in the London tailoring trade. The chief practical object of the inquiry was to ascertain what were the openings and prospects afforded by the trade to girls entering upon industrial life. Incidentally it was desired to gather information upon one or two much debated points—the effects of factory legislation, the extent of homework, the desirability or otherwise of mixed workrooms, &c.

The method mainly employed was that of personal visits, both to workplaces and to workpeople at their homes; but the visits were checked and supplemented by reports from persons who had been long and familiarly acquainted with many tailoresses.

Looking through the mass of material collected, one is struck chiefly by the singularly various conditions under which tailoring is carried on by women in London. Tailoresses work in factories where every mechanical appliance is employed, and where subdivision of labour is carried to the extremest point; they work in workrooms of all dimensions, which may be on the premises of a retailing firm, or on those of a small master who works at first, second, or third hand, and who may or may not live in the same room or rooms; with numbers of fellow workers, sometimes of their own sex only, sometimes of both sexes, or with only one or few companions; they work in their own homes, man and wife often together, or two or three women together, or singly. Moreover, these varied methods of production do not correspond with any exactitude to different classes of work.

Thus, in one instance personally observed by an investigator, a coat was made in Soho, the vest belonging to it was made in Islington, and the trousers in Whitechapel. The place of sale of this suit shows that it was most probably destined for a West-end customer, and in all likelihood made to order.

The task of presenting a clear and orderly picture becomes in such circumstances very difficult, and a certain degree of repetition almost unavoidable.

Let us, however, begin with the "tailor's shop," as known to the retail customer—the place, that is, at which the customer inspects patterns, gets himself measured and fitted, and pays his bill. The material having been chosen, and the customer measured, the garment, or garments, will be cut out by a man, and by-and-by fitted on, also by a man, who may or may not be the same person.

This fitter may or may not be a servant of the retail firm, and the work may or may not be executed on the premises of the firm. If it is so executed, it will be made probably in a large and light workroom, where men and women will most likely work together under the supervision of a foreman. "Ladies' tailoring" in particular is likely to be done in this way, and many dressmaking houses keep one tailoring room. Men cut, press, and often fit; women do the plainer, and occasionally also the more difficult, parts of the sewing.

One instance has been met with, which is probably not quite the only one existing, of a woman who has acquired the art of cutting and fitting skirts, receives high pay, and is much valued by her employers. As a general rule button-holing, felling, finishing, and trimming form the women's part of the work.

The usual numbers in such workrooms as these are about ten men and about twelve women. The investigators report the rooms in all the instances seen by them large and airy; the girls of a superior class, and the wages (at piecework rates) from 15*s.* to 25*s.* a week, sometimes more; 17*s.* appears to be about the average. The regular hours are less than the maximum allowed by the Factory Acts, 8.30 to 7 o'clock being a very usual working day. In the season there will be occasional overtime; on the other hand, in slack seasons the workers will be sent home early. The work in such workrooms is fairly regular, and wages do not drop severely at any fixed period.

Such tailoresses are more highly skilled workers than ordinary dressmaking hands, and are better paid. Those among them who can braid and trim a skirt can readily command 25*s.* a week. But to do this requires more skill than is attained by the majority. There seems to be no regular apprenticeship, and no invariable period of training; two years, however, is a very usual time. A girl enters the workroom at a weekly wage of 2*s.* 6*d.*, and con-

tinues to receive weekly wages on a rising scale for two years, but if quick and clever may be put to piecework before the end of that time. This branch of the trade appears to offer to a well-trained and skilled worker a prospect of steady and well-paid work.

Seldom, however, is all the work of any retail tailoring firm done upon that firm's own premises, possibly, indeed, in no single instance. Some firms "put out" the whole of their work, even to the cutting; and practically all put out some part.

The cutters and fitters of fashionable firms are persons of importance and of power. In their hands generally lies the distribution of the work, and it is hinted that instances of bribery are not unknown. To one of the investigators they were described in a moment of frankness as being "the very deuce, if you will pardon the expression; their earnings are from £6 to £7 a week, and you do not know them from the swells they fit." One of these gentlemen will be practically the employer of a little outside staff of tailors, with each of whom he will deal separately, and who will receive their pay from him. All or most of these will perhaps be working in a more or less light and spacious room, where each man pays for a "sitting," which generally comprises, besides the use of a place to press his work, sitting space and table space for himself and the one, two, or three women whom he employs as assistants.

The landlord of such a workroom may or may not be himself a tailor. Some of these tailors may work for two or three cutters, and may employ some of their fellow tailors, each of whom will in turn employ his own female assistants.

Sometimes the cutter gives out the work to a "small man," who has his own workshop; and in those cases, where no regular cutter is kept, the "small man" is a cutter, and attends at the retail house to fit the customer.

The small man's workshop will seldom employ a great number of hands, but will pretty certainly include a man machinist, a man presser, two journeywomen (one who sews, and one who makes button-holes), and a girl who "goes to shop," that is, fetches and carries back work. This humble subordinate also runs on errands, and if she is quick, and understands her own interests, her aim—often successful—will be to "pick up" the trade.

For the women working in a workshop of these types the daily hours will probably be the longest allowed by the Factory Acts—generally 8 to 8 for five days a week, and 8 to 4 on Satur-

days. The conditions as to space, ventilation, and sanitation vary enormously. Roughly speaking, it may be said that their goodness will be in proportion to—if such a word may be coined—their inspectability. Workrooms that are externally recognisable as working places will probably get inspected, and even the probability brings them up to a certain standard. On the whole the East End workshop—which has generally nowadays been built on purpose—is apt to be superior, in matters of sanitation, space, light, and air, to the West End workshop, which is too often a dwelling room neither intended nor suitable for the carrying on of a trade. The wages of tailoresses employed in workrooms, especially in the West End, are high, while they receive any; but their busy season is short, and in slack seasons only the very few best workers can fill up even half their day. 4s. to 5s. 6d. or 7s. is, as things go, a high daily wage, 20s. to 25s. a high weekly wage for women workers; but it must be remembered that the West End tailoress receives these high rates for less than half the year, and during a quarter of it may earn nothing at all. A tailor who at busy times employs two or three women has in slack time no more work than he can do alone, and—being a trained workman, able to make the whole of each garment—he does it alone, and the women are left without. Only the very exceptional tailoress is paid in slack seasons, for the sake of securing her services in busy ones.

“A., who is a medium hand, is employed during the season for two or three days a week. In a good season it may be regular work for the season; if bad it may be nothing. B., who is a better hand, will be employed during the season every day; and for two or three days a week all the rest of the year, except in slack times. . . . D., who is excellent, will probably be retained at some cost all the time, or some one else will secure her even at a loss during the slack time for the sake of her services in busy times. Such a case is rare.”

Too often the small man's workroom will be a living room, or even sleeping room of his own dwelling, and he will work with one or two female assistants only. The line of demarcation between such an establishment and homework proper becomes almost imperceptible. Homework is carried on by tailoresses in every, or almost every, district in London, upon almost every kind and class of garment, and under widely varying conditions as to hours, payment, and surroundings. Roughly speaking, the most highly skilled homeworkers live within easy distance of the large shops, from which many of them get their work direct,

Such people receive high wages, and pay high rents—often for very inferior accommodation. The position of the homeworker in this trade has undoubtedly been rendered harder by the influx of Russian and Polish Jews. Many of these are able to do tailoring even when they arrive in London; and others quickly acquire a certain measure of skill. “To these people,” writes an investigator, “the tailor turns when there is a great press of work, and this accounts for the sight of a frock-coat of beautiful cloth in one of the poorest rooms I have entered, where a Polish Jewess, neurotic and ill, was making perfect button-holes. For each she was paid $1\frac{1}{2}d.$ —it used, she said, to be $1\frac{1}{2}d.$ ” The influx of these many skilled workers helps to render possible the supplying of garments to order at very short notice; this in turn breeds in customers the habit of not ordering clothes until they are wanted immediately, and the impatience of the customers tends to press all the work into a short period of the year. From March to June the skilled tailoress of the West End is frightfully over-driven; during much of the rest of the year she is unable to get work at all.

As far as regards the West End and Soho, what has been written above applies mainly to two branches of the trade, namely, ladies’ tailoring (carried on mostly in the workrooms of retail firms), and coat-making (carried on in outside workshops or at home). In these districts women may almost be said never to work upon trousers. “Among the thousand or so of tailoresses whom I have known in the last ten years,” writes a lady who knows the workers in Soho well, “I have only had one girl trouser hand. I am told that in the West End it is a different trade, and the girls can’t do it because it is too heavy, and also because the work is chiefly ‘bespoke,’ and it would be unfit for a woman to go to shop and take directions for trousers.” In the East End, where trousers are cut out by the dozen, or, indeed, by the hundred, the “finishing” of them is one of the most frequent tasks of the homeworkers. I have myself seen scores of women finishing trousers.

“A different trade”—these words, seldom heard from the East End worker, are familiar in the ears of the inquirer who visits the tailor or tailoress of the West. There cutting, coat-making, waistcoat-making, trouser-making, breeches-making, and military tailoring are all different trades, and the man who follows one does not follow another—except, indeed, that a good many men know how to cut and fit the particular garment which forms their own province.

And of these provinces, one, waistcoat-making, is largely the property of women. Waistcoats are not heavy, even the pressing does not severely try a woman's strength; and button-holes—essentially women's work—form a large proportion of the work. Skill rather than strength is required of the "vest hand," and in her trade a real apprenticeship still exists. Its period varies from one year to three, a premium of £1 to £5 is paid, and a small, but rising, weekly wage—2s. 6d. perhaps to begin with—is given to the apprentice. At the expiration of her apprenticeship a girl will often earn, at piecework, 15s. to 30s. a week. A good and experienced worker will make, in busy times, from 35s. to 50s. a week, and, according to one investigator, "never less than 15s. a week in slack times." If she works for a good City firm, or, as is sometimes the case, for two or three firms, she will not have a great deal of slack time. A good many women seem to succeed in setting up little workshops for waistcoat-making; one instance—probably not a solitary one—is given of a man who has a waistcoat workroom, in which only the best work is done. He takes girl apprentices whom, when competent, he employs at a regular weekly wage of 15s. all the year round, without regard to their actual output of work. The condition of these girls approximates pretty nearly to that of indoor workers for a retail firm.

The tailor and tailoress of the East End are not, as many persons suppose, invariably engaged upon the poorest and cheapest kinds of clothes. Such clothes are indeed made in the East End—especially in the Easternmost End, Bow, Limehouse, and Poplar—but a good deal of quite respectable second-class work is done in the workshops and homes of Whitechapel, and such work is almost as irregular and as dependent upon season as that in the West End. In the workshops piecework is usual, and wages in the busy season may be put roughly at from 9s. to 20s. a week, 15s. being a fair average. Some instances of timework—by the day, not by the week—were found, the day's wage being from 3s. to 5s.

The regular hours are from 8 to 8, but the Jewish workers—who are numerous—do not of course work on Saturdays. The piecework rates paid to outworkers (for the same work) are generally the same as those paid to workshop hands, but where part of an employer's work is done in his workshop and part outside, the indoor hands will be first supplied, and are apt, when there is a choice, to receive the best parts of the work.

Button-holing, again, is as much done in the East End as in

the West, but is generally—not always—of a poorer sort, and the prices seem to be suffering from the competition of the button-hole machine. In Soho, the usual rates are 1*d.* for large, and $\frac{1}{2}$ *d.* for small holes, twist being supplied, but not needles or thread. A large hole is said in Soho to take about fifteen minutes to make; a Whitechapel worker is said to make twelve in an hour. Personally, I should be inclined to think that hardly any woman makes twelve button-holes an hour—for, let us say, four hours running. Six seems to me a good average for a fairly quick worker. I knew a first-class button-holer, who used to work upon the best evening waistcoats, and who prided herself upon her quickness. She said that she had once, by a special effort, made 104 in a day. These, of course, are small holes, and her day was, I suppose, the usual workshop day of ten hours. I find 5*s.* a day named as the earnings of a fully-employed good button-holer in Soho, and in Whitechapel “about 26*s.* a week.” This, however, I believe to be a maximum figure, attainable only in very busy times. It is noteworthy that throughout the East End Jewish workers, working, at piecework rates, for five days a week, earn as much as Gentiles working for six. Whether this be owing to inherent superiority, to the fact that the human machine works so much better when it has two days’ rest a week instead of one, or to the pressure of grim necessity, I will not venture to decide. It may be noted, however, that the Jew does not take that “Monday off” to which his Gentile rival is prone. To the virtual equality of earnings all testimony seems unanimous, and I have myself inspected wage-books that confirmed it.

But tailoring is not carried on only in workshops and private houses. It is increasingly carried on in large factories, the methods of which differ essentially from those of the workshops. Moreover, there is an increasing tendency to establish such factories in or near provincial towns, such as Colchester. These lie beyond the scope of the present article, but their existence cannot fail to have an influence upon London conditions.

Many of the large factories are well-appointed and under good management. In several instances the managers are men of very unusual ability and enlightenment; and this seems to be rather more frequently the case when the manager is not one of the actual owners. The system of work is one of highly developed subdivision, and in very few factories do learners acquire a complete knowledge of the trade.

Some managers—especially in factories of repute—insist on

apprenticeship, though no premium is demanded. The learner generally gives a short time without pay, then receives a small wage of 2s. 6d., or so, a week, and advances by gradual rises until she comes to be put on piecework. As a general rule, different sorts of garments are made in different rooms; there being a "coat-room," a "vest-room," and a "trouser-room," in each of which there will be machinists, button-holers, and finishers. Often there will be a "juvenile-room," on the same plan, or a room where "contract work" is done.

The cutting is invariably done by men, and the pressing also when hand-irons are used. Gas-irons are often used by women. The work in factories is comparatively regular, and the larger the factory the greater the regularity. Overtime is unusual, and slackness, seldom goes beyond what can be met by ceasing work an hour earlier for a few weeks. Wages vary greatly, according to the nature of the work, and partly, it would appear, according to locality. Whitechapel, which the uninitiated wrongly regard as a region of abject misery, is better paid than South London; and the reports before me confirm my own strong impression that the greatest poverty, the poorest types of worker, and the most hopeless conditions are to be found, not in the East End, but in certain districts of the "South Side."

At one of the very best and largest of East End factories—one concerning which the reports of two different investigators have been given in—the wages of fully competent workers are given as from 15s. to 20s. all the year round. These are not piecework wages. In the vest-room, where the most capable workers are employed upon garments of the best kind, the average is said to be 25s. Forewomen receive from 30s. to £2 a week. Women are employed in every branch except cutting.

Men and women work in different rooms; a good character is required, and girls whose character is considered doubtful are promptly dismissed. The firm is careful in the choice of forewomen, who, as a general rule, are taken from outside the factory, a "stranger" being found to have "more authority." Two or three married women are generally put to work in each work-room, and the manager employs these as an unofficial medium through which to check or reprove undesirable conduct on the part of their juniors. The conditions of lighting, air, space, sanitation, precautions against fire, &c., seem to be the very best possible, and the employees, who number several hundreds, of a good class.

More hands are, however, needed, and there is a difficulty in getting enough respectable, quick, and intelligent learners.

The period of apprenticeship used to be three years, but the firm is lowering it to two, in the hope of encouraging more applicants. Indentures were found to be necessary as a protection to the employer, since girls would come for a year (during which time they rather caused loss to the firm than profit), and then, having learned something, would go to some other place, describing themselves as having been employed at G.'s, which was "always a recommendation." The parents of the girls are, in the manager's opinion, generally responsible for short-sighted conduct of this kind, and he bewails a lack of intelligent and sensible parents.

Some work is put out by this firm, but reluctantly, and with a hope of giving up the practice. The same state of things and the same feeling prevails in some other factories, and one manager reports that careful and constant inspection of the homes to which work goes out is maintained. Supervision of this sort is so troublesome that managers who consider it a duty would naturally incline to dispense with outwork. That many factories of the worst kind do put out a great deal of work—generally, but not invariably, of a poor sort—and that such work is done often in extremely dirty and unsanitary places, every person knows who has seen the insides of large numbers of East End habitations. But though the workers are apt to be poorer and worse paid, I do not think any East End homes in which tailoring is done are—or indeed could be—more unsanitary and dilapidated than some of the far more highly rented ones in and about Soho. The sanitary conditions in one house, the dwellers in which I knew, could not possibly be described in these pages.

The homemaker in the remoter East End districts, and in South London, holds the very lowest place in the trade. The work demands little skill, and is paid for at piecework rates that often fall well below a penny an hour. These very poorest homeworkers are scarcely ever Jewish. In a pretty considerable acquaintance with them I only remember one case in which the workers—unmarried girls—may have been Jewesses. Generally they are either widows or wives of casual labourers, and their condition is one of the most pitiable in the industrial world.

If it be the case, as the inquirers were frequently assured, that homework is decreasing, and that work is passing more and more into the factories, this can but be a subject for rejoicing. My personal impression, however, is that the very worst shoddy-made clothing has always been, and continues to be, largely made at home, and that, if any diminution is occurring, it is not directly by the passage of such work into factories, but indirectly by a

cheapening of the better factory product, which therefore tends to drive out the inferior home-made article. I think—though I cannot substantiate my belief by hard facts and figures—that British workmen of the poorer sort, who used to wear cast-off second-hand garments, are getting better clothes than formerly, and that these clothes come mainly from the vast factories where, in many instances, conditions are good and wages often not bad.

In regard to the important matter of the influence of factory legislation, the information collected was not remarkable. The larger number of persons interrogated seem to have held no opinion on the subject. Out of 115 employers and 56 workers, only 45 persons seem to have given definite replies to the question whether women in this trade were handicapped by the provision of the Acts. Of these, six expressed an opinion that women were handicapped, but three of those six “nevertheless approved the restriction.” Thirty-four persons thought that women were not handicapped by the Acts, and five were doubtful. “Remarkable unanimity was found among employers and employees in general approval of the Factory Acts, and the few objections that were made were not to the provisions specially affecting women. Several employers maintained that when girls have worked the legal maximum, they are not capable of more. One tailoress, who worked at home, said that it “is far better to work in workshops where the Factory Acts take effect, so as to have regular hours.” “In fact, the evidence, such as it is, is favourable to the Factory Act, and gives no ground for supposing it constitutes any real grievance.”¹

Reviewing the trade as a whole, it appears that waistcoat-making offers to a woman the best prospects of independence. Probably a little partnership of two or three skilled women receiving work from one or several firms, and employing two or three learners, would occupy a position good enough to satisfy all their desires. In “ladies’ tailoring,” too, there are good openings, especially in braiding and trimming, which men will not, or cannot do.

As to factory work, there are some tailoring factories, especially among the larger ones, in which the conditions of work are good, and which offer wages that for factory work range high. But there is not much prospect of advancement; the hours are

¹ See Special Report drawn up for use of the Committee of the British Association appointed to investigate the Economic Effect of Legislation regulating Women’s Labour, and printed on p. 34 (Appendix) of that Committee’s third and final report.

generally long; even the best of tailoring factories is very noisy, and in the worse, "driving" is severe and prevalent. I remember, for example, a well-paid woman machinist, whose boast it was that she kept three busters busy, and whose pallor and exhausted appearance proclaimed but too clearly her approaching collapse.

In other branches prospects are, at the best, very uncertain; the work alternates between periods of very high pressure, one of which comes in the warmest part of the year, and periods of aggravated slackness, one of which coincides with the greatest cold.

As to health, the general report is not unfavourable. Long hours at any sedentary occupation are more or less injurious; and work on poor cloth that gives off fluff and dust is bad for the lungs.

Tailoring is often, though not necessarily, carried on in a more or less cramped position, and many workers have suffered in various ways in consequence. One instance is quoted of a woman who suffered from an internal disease which a doctor declared to be produced in a great measure by her thirteen years' work at button-holing, during which she had always supported coats upon her knee in one particular attitude.

Pressing with heavy irons is undoubtedly exhausting and dangerous work for the average woman; and the fumes of gas-irons are sometimes extremely unwholesome. Button-holing makes a great demand upon the eyesight, especially when—as is usually the case—the material worked upon is black or very dark-coloured. No girl should be allowed to enter on this branch of the trade without having her eyes previously examined by an oculist.

The burdens carried by quite young girls who "go to shop," i.e., fetch and take back work, are often far too heavy. It is suggested by one lady of experience that the law should regulate the weight that young girls should be allowed to carry to and fro.

On the whole the work is monotonous and not interesting. A lady who knows personally a very great number of the West End workers says: "I often hear girls say that they love their dress-making or millinery work. They almost invariably regard tailoring as an evil necessity—work in which they take no pride, and of which they heartily sicken."

A point of considerable importance is the degree to which women are exposed in mixed workrooms to offensive conversation. Here the reports differ very markedly, all those from the East

End pointing in one direction, and all those from the West and Central London in another. It seems to be clear that—speaking generally—the East End workroom is freer from this evil, and that—speaking generally—the West End workroom is prone to it. Many causes probably combine to produce this difference, which is one example of the general rule that a higher moral tone will on the whole be found in a district principally populated by working people than among a comparatively small group of workers dwelling in the midst of wealthy people. In the West End also, occasional instances will occur of a young woman working as sole assistant to a tailor in his living and sleeping room, a practice obviously objectionable. The young girls, too, who “go to shop,” that is, who fetch and carry bundles of work, are apt to become a good deal demoralised. The favour of the foreman may save such a girl from being kept waiting, and may sometimes cause work to be handed to her rather than another, and there are foremen whose favour is to be purchased by good looks, by smiles, flatteries, and a ready tongue. Of course, there are also foremen who are perfectly steady and respectable; but the general tendency of highly fluctuating season trades is not towards producing steadiness of character either in men or women.

Another serious objection to tailoring as a trade is the prevalence of long hours of work. In the great majority of cases the working day is the longest allowed by the Factory Act, and the growing dislike to these very long hours is probably one reason why the factories have a difficulty in getting workers. In workrooms, especially in the East End, although the nominal hours are the same, there is more elasticity, and the employer makes no complaint if his woman pieceworker comes in at nine, or even ten, instead of eight.

This prevalence of long—and late—working hours virtually cuts off the young tailoress from the advantages of any technical training that might be carried on in evening hours. She, like other working people—may I not say, like other human beings?—is not disposed after a ten-hours’ working day for further exertion either of brain or hand. If she is to receive training elsewhere than on her employer’s premises, it can only be in the year after leaving school, and in trade classes such as are provided by various municipalities and institutions in most European countries and the United States. Moreover, in waistcoat-making, which is one of the two hopeful branches for women, theoretic teaching can help but little. The waistcoat-maker is a highly skilled worker, but her skill is solely the result of practice. The principles under-

lying the making—for example—of a pocket can be learned in five minutes, but the good maker of pockets only becomes so by making many pockets.

In ladies' tailoring, indeed, modelling, pattern drawing, cutting, and fitting, especially of skirts, might advantageously be taught in day classes to girls before they entered an employer's service. The demand for highly skilled workers in these branches is far greater than the supply, and even for the comparatively skilled the wages in this department are good.

CLEMENTINA BLACK

NOTE.—Space has forbidden me to deal in this paper with that interesting and unique institution—the Army Clothing Factory at Pimlico. Tailoring is there carried on under admirable conditions, and the State would appear to be an excellent and enlightened employer.

REVIEWS

The Common Sense of Municipal Trading. By BERNARD SHAW.
(Westminster : Archibald Constable and Co. 1904. 2s. 6d
8vo. Pp. vii.—120.)

IF ex-Councillor of St. Pancras and unsuccessful London County Council candidate Shaw had endeavoured to conceal his identity with the better-known "Bernard Shaw," he would have been betrayed by his brilliant passages :—

"Saving, investment, life assurance, all of them most prudent and excellent operations for people who have had as much of present nourishment as they need, and still have something to spare, are, for heads of families in a state of privation, slow forms of suicide and murder; and those who preach them indiscriminately should be indicted for incitement to crime. When a bishop offends in this way, people who really understand the situation feel their blood rising almost to guillotining point. Yet, after all, the bishop does not force people to take his inconsiderate advice. But the municipality does. The London County Council, for instance, goes to many an unfortunate wretch grimly struggling with poverty in a little shop, under-fed, under-clothed, under-housed, and consequently desperately in want of more money to spend on himself and his family. Taking him by the scruff of the neck, it says to him, 'Come: you must invest in the general prosperity of this magnificent metropolis, of which you are—or ought to be—proud to be a citizen. You must no longer cross the Thames on a wretched penny ferry-boat: you must build a colossal Tower Bridge, with splendid approaches; or you must pass underneath in tubular triumphs of modern engineering. You must no longer walk through slums from the Strand to Oxford Street: you must make a new and lordly avenue flanked with imposing buildings. And you must cheer yourself up with parks and bands, and run delightful steamboats on the river for your recreation on summer evenings.' "

Almost any book would be redeemed by such passages, but it must be admitted that ex-Councillor Shaw's book requires a good deal of redemption. It occasionally drops into assertions worthy only of those journals which seem to consider it their mission to maintain the infallibility of town councils. What can be more absurd than the statement, "Chancellors may have to issue national stock at a discount; but a borough treasurer simply

names a figure and gets it at par." Personally, I quite agree that the financial position of, say, West Ham, is infinitely superior to that of the United Kingdom, and that the chairman of a borough finance committee who juggled with his figures as Chancellors of the Exchequer habitually do, would soon be dismissed in disgrace, but it is fatuous to allege or insinuate that towns can, as a matter of fact, borrow as cheaply as the national Government, when everyone knows it is not the case. Again, Mr. Shaw exults in the fact that "if the clerkship to the London County Council, worth £2,000 a year, with the chance of a knighthood, becomes vacant, every provincial town clerk can present himself as a candidate for the post without forfeiting or risking his already secured position in any way. He can also, of course, resign his post, and engage in commercial enterprise at any moment; but the fact that he practically never does so shows that there is nothing to be gained by such a step." There is nothing absolutely incorrect here, but the sentence reads a little oddly. When we remember that the last clerk (as well as the last engineer) to the L.C.C. retired in order to engage in commercial pursuits, and that important provincial town clerks did not exactly rush to apply for the vacant post.

These, of course, are details. But I do not think Mr. Shaw has got the root of the matter. His views are still those of the Fabian Society in its prime. In 1904 they are old-fashioned, not to say antiquated. "Parasitic trade" is not now a term to conjure with. The "fair-wages clause" has turned out an easy shibboleth, and the world has ceased to expect regeneration from a slight increase in the wages and decrease in the hours of tram conductors. If municipal enterprise is to be recommended at all in a business-like age, it must be because it does its work cheaper and better than private enterprise, not on account of incidental advantages, real or imaginary, which it gives to the persons employed. As to this, Mr. Shaw is not very satisfying. He lays far too much stress on the difference between the rate of interest paid by a local authority and the rate of interest or dividend expected by investors from a commercial company. The truth is, that the difference is not very great, and in relation to the total cost of the product it is generally very trifling indeed. The difference between the rate at which a water company or a gas company can raise capital, and that at which a local authority can borrow capital, is a very small matter when worked out in water-rate or price of gas. The persons who benefit by low prices for water or gas, or the persons who benefit by low rates, or both, have

certainly gained enormously in those English towns which have had the water and gas in municipal ownership from the beginning ; but only a small part of the gain has come from the different rates of interest. The great bulk has come from the fact that these towns have retained profitable monopolies in common ownership, instead of giving them away to private persons. The idealist of individualism usually says that the monopolies might have been given on terms which would have prevented them being unnecessarily profitable, but he seldom gives practical help in securing such terms, and the ordinary town councillor is quite justified in believing that in practice, in England, at any rate, it is impossible to secure such terms in regard to water, gas, and tramway undertakings.

For this reason it would be "common sense" for the persons who benefit by cheap services of this kind, and for persons who benefit by low rates in any particular locality, to retain these monopolies, and refuse to give them away or to barter them away for a mess of pottage, even if the municipal management were not quite so good as that of a company of shareholders. But do not let us make any mistake as to the identity of the persons who benefit by cheap services or low rates. No doubt a cheapening of gas next year will benefit consumers of gas, big and little, in proportion to their consumption, and a lowering of rates next year will benefit ratepayers, big and little, in proportion to their assessment, compounding landlords included. But this account of what happens in the short run does not complete the inquiry. Does anyone seriously believe that large consumers of gas (say, shopkeepers with a long evening trade) are better off in Sheffield, where gas is cheap, than in Bournemouth, where it is dear? Or on the south side of the Thames in London than on the north side? Are the ratepayers of Norwich and West Ham really worse off than those of Oxford, where the rates are not half as high? If Mr. Carnegie paid off the entire debt of West Ham, would the persons who at present happen to be ratepayers in West Ham benefit to the extent of £2,500,000? Clearly not. The persons who in the long run get the benefit of cheap services and low rates in any particular locality are the owners of the land and of the buildings, so far as they can be regarded as permanent. If the London water companies had not been given the very valuable monopoly of supplying water to London, the Dukes of Bedford, Portland, and Westminster would be considerably richer than they are. I do not think ground landlords are prominent among the supporters of the Industrial Freedom League; if they were, it

would be a proof of monumental stupidity, for what could be more idiotic on the part of the owner of an estate than to give away to a third party the right to supply his tenants for ever with one of the necessities of life?

To the tenants and occupiers of the present it makes no difference whether part of the value of the area they hold or occupy has long ago passed from the hands of the landowners into those of water and gas and tramway companies or not, and it is at least doubtful whether the distribution of wealth has been made more unequal by the transfer. Consequently, supposing municipal and private management equally good, it is common sense for everyone who has an interest in the fixed property of an area (and, of course, even a short-term tenant has some interest) to oppose the giving away of profitable monopolies, but the public, and the economist who represents the public, need not worry about the transfers which have been made any more than about any other form of improvident gifts. The question for the public in general is whether municipal or private management is best, or, to put it in the jargon of economics, whether industry and capital will be more productive under municipal or private management? This is not a question of the division of ownership of particular property between landlords and owners of water or gas rights, but a question as to the utilisation of the productive forces of the community; and there is no reason whatever to believe that the advantages of better utilisation will accrue entirely or even chiefly to landowners. No doubt the superior management of the services of particular places will largely benefit the owners of those particularly well-managed places, but the results of good management in general will be very widely spread through the whole community.

Mr. Shaw thinks the question whether municipal management is better cannot be settled by figures, and it certainly cannot till we have better figures than at present and a public which has a good deal more intelligence in comprehending statistics. The mistake usually made in the controversy is the ridiculous assumption on the part of each side, that municipal or private management is best everywhere and under all circumstances. As a matter of fact, a sensible man may without the least inconsistency think poorly of municipal management, and yet advocate it in his own town, or be strongly in favour of it in general and yet oppose it in his own town. It is mere fanaticism to suppose that either town councils or companies are never corrupt or somnolent, or never pure and active and intelligent. Taking things as

they really are, and dealing with twentieth-century England, there is considerable probability in the view that most, if not all, of the great engineering works required for the joint benefit of the inhabitants are better managed by a town council which represents, as accurately as is compatible with the possession of an efficient staff, the persons who benefit immediately by improvements in the services rendered. The fact that ultimately many or most of the consumers or ratepayers will have to part with most of the benefit obtained, transferring it to their customers or their landlords, is not in practice important, because sufficient time elapses to make the benefit a real one, and the ultimate transfer is scarcely believed in. Municipal management is based on co-operation of consumers, very like that of the co-operative distributive societies. And so it may be said that "common sense" is in favour of municipal trading in regard to these great engineering works which cover a whole district with some kind of network (macadam, pipes, wires, rails, or what not).

I doubt whether we can go further than this, and I doubt whether Mr. Councillor Shaw would have voted for very much more in his council. But the better-known Bernard Shaw, of the Fabian Society, who seems to have written most of the book now before us, wants us to go a great deal further. That he scarcely appreciates private enterprise at its full value is well shown when he complains that "it will not start a new system until it is forced to scrap the old one." Surely the beauty of the system lies in the fact that it is forced. Nobody with any proper self-respect claims that the average director, shareholder, or man of business is intelligent, enterprising, and gifted with a real desire to serve his fellow-creatures. Such a claim on his behalf would be ridiculous. What is claimed is that, as a rule, he is obliged to serve them, whether he likes it or not. Unreadiness to scrap superseded machinery is often strongly displayed by municipalities. Municipalities all over the country, especially in London, are retaining in use old-fashioned water-carts which water half the width of road which can be covered by a modern mechanical cart, because they are not "forced" to scrap the old ones, though it would be really much more economical to do so. That Mr. Shaw scarcely appreciates the difficulties of municipalisation is indicated by his belief that "the problem of housing cannot be satisfactorily solved" until "the municipality owns all the land within its boundaries, and is as free to deal with it as our ground landlords are at present." For what is "the municipality" at bottom but the land and houses and other buildings

and works on a certain area? Of course, many municipalities at present hold large quantities of land and buildings, but this simply means that this property is attached to the rest in joint ownership. For example, if I buy some property in Oxford I practically buy along with it my share of the city property. But if the whole area were city property it is difficult to make out to whom it would belong unless to the owners of corporation stock. Imagination boggles at the task of conceiving a municipality free of debt and owning all the land and buildings in its area. Whether it spent its income on benefits for the inhabitants or reduced it by lowering rents, it would degenerate into a kind of almshouse in which the almsmen would find some way of selling their rights. And, in the name of Socialism, what right has a municipality to own the property within its borders? Why should the Connemara peasants, or even the Indian ryots, be cut out of their share of the land value of London? Moreover, if municipalities are to own their area, how is a new town to grow up? I recently passed over the site of the proposed Garden City, and observed no particular capacity in those waving cornfields for owning themselves. Land nationalisation had its difficulties, but land municipalisation seems an amorphous absurdity.

In concluding these remarks, I feel more in charity with Mr. Shaw than when I began them. It is impossible not to feel grateful to an author who, in the words of the French translator, "gives one so furiously to think."

EDWIN CANNAN

Local Government in Scotland. By MABEL ATKINSON, M.A.
(London : Blackwood and Sons.)

MISS ATKINSON asks her critics to remember that her book is "not intended as an exhaustive treatise, but as an introduction for the student to a field hitherto curiously neglected, and as a readable book for the general public." To write a book on Local Government so readable as to capture the attention of the general public seems to us a high ambition; but Miss Atkinson may be assured that she has written more than an introduction for the student to pastures she has marked out for her own. Indeed, to get our grumbling over, we may say that the chief drawback of the work before us arises from the fact that the writer has endeavoured to compress within four hundred pages not only a description of the existing Scottish Local Governing bodies, their functions, financial arrangements, and the control exercised over each by the

Central Government, but a discussion of most of the problems general to local government in all Western States, and particular to Scotland. This has resulted in the inadequate treatment of difficult problems. The question of "Municipal Trading" cannot be properly discussed incidentally to descriptions of structure and function, even when the discussion is gathered into an appendix of six pages. We think the author would have done better either to have written the elementary treatise which she proposed, or to have given herself space to deal adequately with the problems she has raised in the further volume, which we should have delighted to read. We could also have wished that the writer had revised her opening chapters a little more carefully. The word "retiral" is unfamiliar to us, and we do not think "legislative" should be used as a substantive. Nor do we understand why, in a book on Local Government, it should have been necessary to make the doubtful strategic prophecy that, in case of an invasion of this country, Kent would be the first county attacked. These are small blemishes; but occurring in the introductory chapters (and, as one discovers, there only), they give the reader a wrong impression as to the care with which the work, as a whole, has been revised.

The book, which is divided into sections on the Structure, Function, and Finance, with chapters on Central Control, and a summary of the authoress's conclusions, does, however, provide us with a most interesting and readable account of the Scotch system of Local Government. In the main it is an account of things as they are, with enough history to afford us some intelligent appreciation of why they exist, and some indication of how Miss Atkinson would have them altered. Beyond the democratisation of these public bodies, which she regards as completed, she describes two processes at work, namely, the transfer of functions from smaller to larger areas, and, parallel with this, the gradual disappearance of the so-called bodies "*ad hoc*," and the concentration of functions on a single representative body within each area. These processes Miss Atkinson approves. She is also a convinced but discriminating advocate of municipal trading.

The work confers upon the English student the great boon of enabling him to compare the system of Local Government in England with that of Scotland. As to the structure of the bodies in the two countries, with some few exceptions the differences are not marked or in any way vital. The Royal Burghs correspond to our ordinary Municipal Corporations; and the absorption of the Police Commissioners by the Burgh Councils is parallel to the

absorption of statutory bodies of commissioners and of Local Boards of Health by the English Town Councils. So the Police Burghs of Scotland (especially as they seldom have control of their police) seem to correspond with English Urban District Councils, and the similarity comes out not only in their functions but in the fact that suburbs of Glasgow have been allowed to become separate police boroughs, just as suburbs of Manchester and other large English towns have been allowed to become and to remain urban districts. There are, of course, many differences in structural detail between the governing authorities of Scotch and English towns. In Scotland there are no county boroughs, but most of the towns with more than 50,000 inhabitants have, by local Acts, acquired the powers in which English county boroughs rejoice. On the other hand, English boroughs have no bailies, though separate commissions of the peace constitute, not infrequently, a compensation for that deprivation. But the careful reader of Miss Atkinson's work will conclude that the differences between the structure of town governments in England and Scotland are of form rather than substance, of detail (though occasionally important detail) rather than principle.

In county government before the reforms of 1888 in England, and of 1889 in Scotland, there were, however, striking differences between the two countries. How many Englishmen, we wonder, who know accurately the functions of praetor and censor have ever heard of the Commissioners of Supply? Yet, across the Border, it was the Commissioners of Supply, namely, all men of each respective county who possessed landed property to the value of £100 a year, the agent of such a one, or the heir to landed property of above £800 annual value, who governed the counties in Scotland down to 1889. A hundred years ago there were similar primary bodies (though with much lower property qualifications) governing English parishes; and, indeed, the Commissioners of Supply had their exact counterpart, in constitution at least, in the bodies of Fen Drainage Commissioners created in most of the eastern and east midland counties of England between 1700 and 1800. Since 1889, however, county governments in Scotland and in England have been formed on the same general lines. One of the great fundamental problems of local government, that of how to arrange areas to suit functions, of course, constantly crops up in this book; and it is interesting to note how the difficulty of devising a proper area for the care of public health has been dealt with in the Scottish counties, by the device of subordinate district committees, formed for areas the

determination of which was left almost completely to the discretion of the county authorities. In connection with the county, too, the English student will note Miss Atkinson's account of the Sheriff, who may not equal his English namesake in dignity but probably surpasses him in usefulness.

It is in parish government that the Scottish system differs most from the English. In England, until the Act of 1894, the whole tendency of legislation had been to disestablish the parish, whether we use the word to mean an area or an authority. In Scotland no such disestablishment ever took place, and parochial boards, besides administering the poor-law, have in the "landward" parishes of Scotland other functions which render them of far more importance than the English Parish Councils.

We have little space in which to deal with the chapters on Function, in which the Public Health Administration, Poor Relief, and the provision of Education, of Roads, and of Recreation, are well described, and, on occasion, ably criticised. We would especially commend the chapter on Education, which seems an excellent historical and critical summary of the Scottish System. But we have read these chapters with some care, and have concluded that whilst in some matters they manage better in Scotland, yet in England, even in London, we are not without our grounds for satisfaction. For instance, we usually manage to secure that the Medical Officer of Health and not a Sanitary Inspector shall be the Chief Official of the Health Department of a great town, which, it appears, is more than can be secured in Scotland.

Although, as we said at the outset, we think the work might have been better planned, or rather, that the plan might have been more strictly adhered to, yet we congratulate Miss Atkinson on a considerable, solid, and useful addition to accessible knowledge. We have complained that some questions are raised the adequate discussion of which is rendered impossible by the limits of the book. But nevertheless the reader will find much acute and suggestive criticism, founded on the study, not only of documents, but of governing bodies "in action." We hope the general public of Scotland will read this book; but we have greater hope that the section of the public which intelligently regards politics, national or local, will do so. If, as Miss Atkinson believes, local political institutions can help us to base upon the economic conditions of our time a society free, or freer, from destructive and demoralising elements, no thoughtful Scottish

citizen can afford to be without the knowledge which a work like this puts into accessible form.

F. H. SPENCER

Methods of Social Advance: Short Studies in Social Practice by Various Writers. Edited by C. S. LOCH. (London: Macmillan and Co. 1904. Pp. 192.)

IN this small volume, edited by Professor Loch, various papers and addresses have been brought together that have served as the basis of discussions at special meetings of the Council of the Charity Organisation Society. The chapters range over a large variety of subjects, starting, after a brief introduction by the editor, with a paper by Dr. Cantley on "The Rearing of Children," and ending with a few pages, also by the editor, which are intended to reflect the motive not simply of this volume, but of the whole work of the Charity Organisation Society. Those who are adversely critical of the work of this Society, and they are many, might do well to read these few lines of Professor Loch's. They form a short and reasoned statement on the moral basis of communal life. "The real meaning of 'charity,' which is constantly being dimmed by either the weakness or the coldness of the 'charitable,' is stated. 'Charity,' we read, 'is a social principle.' 'Ultimately society is based on charity—on love working through individual and social life; and social advance depends largely on the ability of the people to realise this principle, and to act upon it.' Nay, more: 'In one sphere of thought, at least, religion is charity made fervent.' In these days, when so many of the institutional forces of religion are in solution, it is well that the laity should not hesitate to claim for the spiritual and moral foundations of life their rightful place—in industry and in public administration not less than in care for the poor.

But "charity" is not simply an emotion. A "social principle" must be thought out, and often the basis of charity itself, if it is to find its most effective expression, is knowledge—partly historical, partly psychological. The importance of the place that the "School of Sociology," the aims of which are explained by Mr. Urwick, must hold, is thus assured. Knowledge, when concerned with the phenomena of social life, is a constant revelation of their changing forms. Change implies either growth or decay, and thus the operation of causes that can be analysed and that should be

either strengthened or weakened. The treatment of hardly any social problem, save that illustrated by a hospital "casualty" case, can start from the circumstances of its presentment. If it do so, it is probably superficial; at the best it deals only with symptoms. Neither is it enough that charitable action should be simply remedial. Curative drugs are the temptation of many besides those who practise medicine, and the Charity Organisation Society itself is constantly learning that much of its most effective work must deal not simply with cures, however complete, but with prevention. Thus, in the present volume, the Editor's Introduction deals with "*Distress and its Prevention.*" Dr. Cantley, in his paper, gets behind the consulting-room of the children's hospital to the various causes, largely of ignorance, that bring the children there. Miss Nussey, as regards more general cases at the Westminster Hospital, and Miss Mudd, at St. George's, as regards phthisical cases, have analogous problems in view, while the preservation of health is more avowedly and directly the object of Colonel Duke, in writing his paper on "*Physical Education.*" From the public administrative point of view Mr. J. R. Motion writes on the same great theme, urging the point, never worn threadbare in a community that enjoys (and suffers from) a vigorous political life, that the effective administration of existing laws is often more needed than fresh legislation.

Dr. Cantley's paper directs the mind, through the medium of young children, to the fundamental importance of good home management, and Mrs. Bosanquet, in a paper on "*Wages and Housekeeping,*" again shows how necessary it is to distinguish between "*unwise economy*" and insufficient earnings, and how often poverty is the direct consequence of the former. From the point of view of the home, Mrs. Bosanquet's subject may be described as the need of care in the apparently small and recurring duties of daily life. In a paper on "*Apprenticeship,*" by Miss M. K. Bradby and Miss F. H. Durham, the claims of industrial foresight are urged, in a form in which not only will parents and elder children have to participate, but also—and the point is strongly urged—employers. The difficulties of introducing even modified forms of indentured apprenticeship are exceptionally great at the present day, especially in London; but the ease with which lads can earn good wages, and the annual crop of low-priced, semi-skilled labour that results, is in itself a proof of the urgency of the problem of industrial training. The admirable work of the Jewish Board of Guardians in the matter of apprenticeship receives recognition in this paper.

In such a volume as this the question of unemployment naturally assumes some prominence, and is dealt with from various points of view : by Mr. Rider Haggard, in relation to agriculture ; by Mrs. Bosanquet, in connection with relief works ; by Mr. T. H. Nunn, in a thoughtful, but not very sanguine, paper on " Municipal Labour Bureaux " ; and by Sir George Livesey, who is able to base a hopeful exposition of the principles of " Industrial Partnerships " on the notably successful experience of the South Metropolitan Gas Company. Mr. Mackay has a paper on " Poor Law Reform," in which he runs counter to a good many of the conventional principles of direct representation in his proposals for reconstruction. One suggestion—that the Local Government Board should have greater powers of nomination on the reconstituted local boards—is said to find one of its minor justifications in " the vote of the irresponsible compound householder "—an irresponsibility that it is perhaps unwise to accept as a permanent factor in the voting strength of our communities, and one that Professor Loch would diminish or dispel by the adoption of plans that he describes in a paper on " The Separate Payment of Rates."

The volume, as a whole, is a mine of information and suggestion, and more than justifies the modest expectation of those to whom its publication is due, that the papers " would interest a yet larger audience " than those who listened to their original delivery. A short *précis* of the discussions that followed, and the provision of an index, would have still further increased its value.

ERNEST AVES

Industrial Organisation in the Sixteenth and Seventeenth Centuries. By GEORGE UNWIN. (Oxford : Clarendon Press. 1904. Pp. 277:)

THE whole field of economic history is crying out for investigation in detail. The work of Dr. Cunningham has supplied the student with a general framework, while Professor Ashley's " Introduction to English Economic History " forms an admirable guide to mediæval economic history. But there is room for endless monographs. Most of the contributions to a fuller and more detailed knowledge of special epochs of our history have hitherto been furnished by German or American investigators. Englishmen have as yet done very little to elucidate the special phases of English industrial or commercial life. No single book exists dealing fully with English guilds or English town life after the fifteenth century. Mr. Unwin has attempted to supply one of the

many gaps and to give in considerable detail a much-needed history of the English industrial worker from the time of the transformation of the guilds to the period when Mr. and Mrs. Webb take up the story of Trade Unions in the eighteenth century.

In so doing, Mr. Unwin has contributed many new ideas. At the beginning of the eighteenth century we find unions of wage-earners in many trades, such as the wool-combers and tailors, with the men thoroughly organised in opposition to the employers. Mr. Unwin's task is to show how they arose.

He traces the break-up of the gild system and the capture of the associations by the trader or shopkeeper. The manufacturer remained outside the corporation and made common cause with the journeymen. It was becoming easier for the journeymen to become small masters owing to the fact that the traders were giving out work to be done on commission in the worker's own home, and thus a class of small manufacturers was formed who were dependent on the trading interest for the sale of their goods.

The journeymen and small masters, being separated by no very great social gulf, combined in the same associations in opposition to the richer merchants of the livery, who possessed the raw material and sold the finished product. Hence the feature of the seventeenth century is the incorporation of the small masters into companies. On the difficult subject of the decay of towns in the sixteenth century, Mr. Unwin throws some interesting light: The Weavers Act of 1555 has hitherto been looked upon as setting limits to the "factory system." Mr. Unwin brings out that it was also intended to prevent the growing migration from the town to the country by allowing the townsmen practical freedom in the matter of looms and apprentices, while carefully restricting the country weavers. Indeed, the story of the effort of the Government to control the development of industry for the benefit of town employers is one of the best parts of the book. Mr. Unwin's researches, like those of Dr. Cunningham and Miss Leonard, all tend to the rehabilitation of Charles I. The preservation of the independence of the small master against the monopoly of the trader was the object of the Stuart industrial policy, and for that reason Charles granted charters of incorporation to the small masters in many trades—a privilege for which, of course, they paid.

In elucidating the reasons which led the small masters to combine, Mr. Unwin brings out some interesting points. He shows

that the object of the small masters was to raise a common fund which would relieve them from the disadvantages arising from the smallness of their individual capital. They could, as a "company," make joint purchases and have a better chance of disposing of their goods, and he cites some early instances of joint stock enterprise for the purchase of raw material.

Just as the trader differentiated from the small master in the sixteenth century, so the tendency of the seventeenth century was for the small master to become what Mr. Unwin calls an "industrial capitalist," a person who organises the manufacture instead of the trade, as the earlier capitalists had done. The wage-earners, who are being exploited, try in their turn to form associations or incorporations which are the precursors of the modern trade union. One wishes Mr. Unwin could have traced the causes which led to the rise of the man with industrial capital. There are many interesting questions left unanswered. Why did the man with industrial capital emerge at the end of the seventeenth century? Where did he obtain his capital? What were the general conditions that produced this revolution, and why had the journeyman's case become so hopeless that he could never attain to the status of industrial capitalist? To none of these queries does Mr. Unwin's book afford any answer. The reasons for the growth of the organising manufacturer have yet to be traced, and his connection with the trading capitalist needs working out. The rise of the industrial capitalist means the rise of the "great industry," and one cannot help wishing that Mr. Unwin should have said more about the underlying causes of the revolution.

It is doubtful whether in actual life the trader and the manufacturer were as separate as Mr. Unwin seems to think. In Dunsford's "Historical Memoirs of Tiverton," p. 346, we hear of one Peter Blundell, born in 1520, who acquired a fortune by selling Devonshire kerseys. Then he invested it in the manufacture of them, returning to Tiverton to start the business, which became "very extensive," so that he employed "great numbers of people, and was highly beneficial to all his trading connections." Some years before his death, "for the more convenient direction of his affairs," he resided in London. Here was a man who both organised the manufacture and sold the product, and from starting as a trader became a big employer.

Mr. Unwin considers (p. 195) that he has "disposed of some of the facts" upon which the proposition is based, that England's industrial ascendancy in the past was due to "the

successful adoption of a mercantilist policy of bold economic aggression."

He seems to think that because the men of Shrewsbury were unable to keep out the men of London, who wanted to buy up Welsh cloth, and because, also, the cloth-finishing project of James I. failed, and that it was found inadvisable to continue the laws against middlemen buying up wool, that the industrial liberty so acquired built up the greatness of England. It is far more true, however, to say that monarchical interference built up England's maritime industrial and commercial supremacy. Though the cloth-finishing project of James I. failed, many other projects had succeeded. It was chiefly owing to the wisdom of Edward III. that we had a cloth-making industry in England at all. To the deliberate efforts and interference of Elizabeth and Cecil much of the progress of the sixteenth century is due. They had no hesitation about granting patents to start a new branch of trade, and they promptly put a tax on alum to assist the native manufacture. And they were brilliantly successful. Again, under the Whig Government, protection and encouragement were afforded to the linen trade. Perhaps, in spite of this, the linen trade took root in both Scotland and Ireland, and did not languish, as no doubt it ought to have done, under the influence of a bounty.

It is exceedingly difficult to prove that English industry grew great because it was fostered, but it is quite certain that in the trade which had received the most careful amount of Government attention—the cloth trade—England was leading the world in the early part of the eighteenth century. Mr. Unwin records a few failures in a long series of successful attempts, and these failures do not discredit the system when the results have been so brilliant.

It is difficult to understand what Mr. Unwin means when he talks of "the comparative absence of mercantile restrictions" in England as contributing to her success. As far as the history of the industrial policies of European nations has been investigated for the sixteenth, seventeenth, or eighteenth centuries, there appears to have been no nation that had a more effective system of restrictive legislation than England. The leading example of "the comparative absence of mercantile restrictions" is Holland, and she definitely gave place to the great protectionist power of England about 1750, when an inquiry was held into the causes of the decay of Dutch trade.¹

¹ Proposals made by his Highness the Prince of Orange for redressing and amending the trade of the Republick, 1751.

The one experience England did have of the comparative absence of restriction was under Cromwell, when the country was brought to the verge of economic ruin. The experience then gained led to the reconstruction of the mercantile companies, as well as to the vigorous policy of stimulating industry in every possible way, so successfully carried out by the Whigs. During Whig rule, when the encouragement of industry was tried on the largest scale ever attempted in England, she definitely became the workshop and carrier of the world.

In this respect, therefore, it seems to me that Mr. Unwin has misconstrued the whole tendency of European economic history.

There is one slight slip which might be noted in passing. On p. 152, in referring to the joint stock enterprise of the eighteenth century, Mr. Unwin obviously means the nineteenth, when such undertakings again became possible.

The book is a very valuable addition to our knowledge of industrial history, although it is not an easy one to read. Mr. Unwin has collected much new information from hitherto untapped sources, and no student of the sixteenth or seventeenth centuries can afford to dispense with his work, however much they may at times differ from his conclusions.

LILIAN TOMN KNOWLES

Bisocialism: The Reign of the Man at the Margin. By OLIVER R. TROWBRIDGE. (Moody Publishing Company : New York and Chicago. 1903. Pp. 427.)

THE author of this book restates a familiar case in what is, in some respects, an unfamiliar manner. The case is substantially "the doctrine of taking ground rent for public revenue," as originally expounded by Henry George; but the argument is developed by the aid of the theory of value as elaborated by the Austrian economists: "Bisocialism recognises the true nature and import of the market as manifested in *value* and *cost*." Unfortunately, the author has found it necessary to improve upon the already over-specialised terminology of the text-books. It is accordingly difficult to state his argument without the accompaniment of a glossary. It may suffice, however, to explain that "Bisocialism," as distinguished from "Omnisocialism," represents the creed of "those Socialists who would limit the State to the socialisation of but *two* things, *viz.*, natural opportunities—represented by ground values—and public utilities." Bisocialism would therefore "retain the present industrial and commercial systems stripped of all monopolies and special privileges." The argument of Bi-

socialism starts from the assumption that there is an "economic problem," and that to arrive at the essence of the problem "we must submit all economic phenomena to the tests of scientific analysis." The inquiry, therefore, falls into two parts. In Part 1 an attempt is made to "define the terms and deduce the laws that are necessarily involved in all true economic inquiries"; while in Part 2 these definitions and laws are applied, "not only in determining the fundamental faults of the established order, but also in elaborating the principles and the working plan of a complete remedy for all the economical evils which now beset us." For it is a principal defect of "the standard Political Economy" that it points out no criterion by which it may be definitely and positively determined whether a certain kind of property or a certain kind of business should, or should not, be socialised. In order to arrive at a judgment upon the merits and demerits of a "competitive system of production," we are asked to analyse the processes of the market, and to investigate the "origin and essential features of value and cost." Here the author has an organum ready to his hand—"that most fundamental of all economic ideas—the idea of *the margin*," and it must be acknowledged that he uses it with considerable thoroughness and effect. The following passage may serve to indicate the purport and character of the author's inquiry:—

"If it be true, as the theory which we have developed maintained, that value is essentially a limited and measurable portion of utility, that its lowest limit is fixed by the point of disutility, and its upper limit by the point of exchange, which, in turn, is determined by the utility and disutilities of the marginal pair, then it behoves economic science to inquire into all the conditions which may surround or affect the men who produce and purchase at the margin. For if they are the determiners of value, cost and price, then all economic research must extend to them and not exhaust itself in a study of conditions which chiefly surround those who are furthest from the margin" (p. 126).

Market price, then, being determined by the competition of the "marginal pair" (the marginal seller and the marginal buyer in any market), and it being understood that the marginal pair are representatives of marginal groups of sellers and buyers respectively, it becomes necessary to examine the conditions which determine the identity of the marginal seller and buyer. All production resulting from the application of labour-power (directly or indirectly by the use of capital-power) to "land-power," the marginal producer is the seller that produces upon the "marginal land-power"; this being with respect to a given market "a land-

power upon which given labour-power, assisted by given capital-power, will produce the least net value of any land-power necessarily used to supply such market." This yields in turn the conception of the economic margin of a given market, which may be defined as "the aggregate of all marginal land-powers which are tributary to such market." But the normal economic margin is not available for use by the normally marginal labourers. "The artificial depression of the economic margin by the holding of superior land-powers out of present use and occupation necessitates a distinction between the normal economic margin and the artificial margin which usurps its place." In the last analysis, "the prosperity of all men not beneficiaries of artificial conditions is based upon the return acquired by the man who exerts common labour-power at the economic margin," so that he becomes in truth "the most important personage in the whole field of economics," and, indeed, suggests the true economic standard of value—a day's common labour upon the economic margin. Having shown, then, that the prosperity of the community at large, in normal conditions, is based directly upon the prosperity of its marginal producer, the author proceeds to consider values which have their origin, not in normal conditions—"the conditions which attend a market unaffected by juridical institutions, laws, or customs"—but in artificial conditions arising out of the power of the State to create and maintain "differential privileges" in industry, exchange, and land tenure. A fairly familiar argument leads up to the formulation of the "true" canon of taxation—"men should be taxed only upon the ground values and the public utility franchise values (if any) annually possessed by them, and should be taxed to the full extent thereof every year." The author concludes that, having "treated in a brief and comprehensive manner all of the primary questions which pertain to economic science in both normal and abnormal conditions," he is "now prepared to say, upon the authority of economics, and with the certitude of science, that there is a criterion by which the policy of the State towards the institution of property under any system, actual or proposed, may be tested and correctly determined." For the statesman, there is an economic imperative, and it is this—"the State must destroy all monopoly values; it must socialise all ground values and all public utility franchise values; it must individualise all labour values and capital values; and withal it must maintain an economic system which permits and protects the fullest co-operation in industry and the freest competition in exchange." This conclusion is compared with the

"established order," the teachings of "standard political economy," and "Omnisocialism." The established order "recognises, in a limited way, the beneficence of the market, but not sufficiently to make the market absolutely free." The admitted evils and defects of the established order are obscured by the teachings of political economy, "based as it is upon a partially false and wholly inadequate theory of value"; for "it does not discriminate as to the origin of values." In the programme of "Omnisocialism," on the other hand, there is no recognition of the economic margin. In abolishing the open market, the advocates of Omnisocialism "destroy the natural basis of all economic phenomena, and put their proposed system at once upon an artificial footing." Omnisocialism, again, fails to recognise "the peculiar significance of the land-power in the economy of the State." As against Omnisocialism, Bisocialists advocate the Socialism of the open door—a Socialism, that is, which rests upon "the right and opportunity of self-employment and exchange." "For want of sufficient analysis of the laws of the market," the Omnisocialist "confuses monopoly with capital and differential privilege with competition; he consequently mistakes the remedy." On the other hand, Bisocialism is not an arbitrary and experimental scheme for the solution of industrial problems, for "its working plan is not without an economic basis." It recognises competition, but would make it free; it does not destroy the market nor forbid exchange, but it would restore the normal market and "completely unshackle" trade.

"When all monopoly values have been destroyed and all ground values and public utility franchise values have been completely socialised, industry will not be forced to exert itself below the normal economic margin. The marginal return to common labour-power will then become the true and unerring standard for the measurement of all labour values. The marginal pair will then become the determiner of all market values, and the marginal labourer upon a marginal land-power will become the unconscious but certain arbiter of all wage questions."

Such is a brief outline of a Socialism which (like that of Professor Loria) is based on the recognition of "the peculiar significance of the land-power in the economy of the State." It follows that in the author's judgment the "ultimate" causes of poverty are institutional and economic; and it is only when equality of opportunity is secured by the "restoration and raising of the normal economic margin that it is possible to draw a clear line of demarcation between the voluntary and the involuntary poor." The existence of a "submerged" class may be traced to the arti-

ficial depression of the economic margin rendered possible by the institution of property as it exists. On the other hand, the author not only makes light of the question of compensation to existing owners, but is not very precise as to the manner of taking the most fundamental step in the programme of "Bisocialism"—the socialisation (by taxation) of all ground values. Difficulties of theory as well as of practice might well be raised both by "standard political economists" and by "Omnisocialists" as to the sufficiency of the methods by which "Bisocialism" would compass what most persons would recognise as the economic ideal—"constantly to increase the opportunities of the man who is at the bottom of the economic scale." On the other hand, the argument of the author claims the respect and the attention of both the economic parties; it is not only set out with remarkable clearness and force, but it is eminently thorough and sincere. *Bisocialism* is, in fact, a book to be reckoned with; its case is not a new one, but it has seldom, if ever, been stated in such strength. It is one of the most redoubtable, as well as one of the most "scientific," contributions to the literature of Socialism that has appeared for some time. The author meets both the Economists and the Collectivists on their own ground and with their own weapons, and both will find him an antagonist worthy of their steel.

SIDNEY BALL

Studi Economico Sociali Contemporanei (2). ACHILLE LORIA.
Verso la Giustizia Sociale. (Milan: Idee, Bataglie, ed
 Apostoli. 1904. Pp. 572.)

THE collection of essays, addresses, and reviews which Professor Loria has here brought together makes up a considerable volume, and is a remarkable testimony to the erudition and versatility of the author. It has also rather more character and significance, and consequently more justification, than always attaches to collections of the kind. The title, *Verso la Giustizia Sociale*, fairly expresses the unity of interest which gives to a miscellany of *vari studi* something of an organic structure. They are, in fact, all studies in one idea—in a certain conception of "Social Justice," which is never, indeed, explicitly stated, but is always in the background as the *dittatore invisibile* of the whole. The persistence of such a central idea gives a more than occasional interest to what were originally occasional productions. These various studies may, in fact, be regarded as a kind of exercise in the Pro-

fessor's characteristic ideas of social and economic evolution. Of these ideas the author reminds the reader in an Introduction, which raises the fundamental question that is perpetually suggested in one form or other by the studies which follow—"Is there a Social Justice?" Professor Loria's discussion is characteristic; he will have no parley with the conception of "abstract justice"—"the sterile fancies of natural right"—but he is equally opposed to the ethical neutrality so often and so vainly attempted by economic science. Nor does the conception of evolution as applied to economic phenomena make ideals superfluous; on the contrary, the consciousness of a better form of society is itself a factor of evolution; but it gives them precision and direction. Ordinary conceptions of social justice are too vague to supply a method of "social metrology." What is wanted to give precision to ideas of reform is a positive and realistic analysis of economic processes—the study of the economic system "in its successive forms and ulterior tendencies." We can then contrast the economic system as it exists, not with an abstract ideal, but with another concrete system—a better form of itself; not with some archetype of justice, but with the *forma economica tendenziale*, in which society will attain definite equilibrium—what Professor Loria calls a *forma economica limite*. For arbitrary and subjective conceptions of social justice we shall in this way substitute a relevant conception based upon an objective analysis of the nature and evolution of economic forces.

This is not the occasion to expound or to discuss the results to which such an analysis has led Professor Loria. It is sufficient to notice that the regulative idea of a *forma economica limite* provides him with a standard of measurement which he is able to apply to the valuation not only of successive economic forms, but of the various and conflicting efforts to realise "social justice." The ideal is to be found in the promise and tendency of the actual, if it is not to be the airy fabric of a vision. To introduce form and order into the chaos and anarchy of current ideas and aspirations may be said to be the mainspring of Professor Loria's academical activity, and the various strains of argument and exposition which make up *Verso la Giustizia Sociale* are merely variations of this general theme.

On the other hand, it would be difficult to do justice to the variety of interest and range of topics covered by these *vari studi*. They are conveniently, if not very precisely, arranged under the heads of *saggi critici*, *saggi economici*, *saggi sociologici*. The *saggi critici* are mainly appreciations of typical economists—

mostly, as already suggested, from a particular point of view. They include the article on the Italian School of Political Economy which the Professor contributed to the *Dictionary of Political Economy*, as also a sketch of economic "literature and events" in Italy, which appeared in the *ECONOMIC JOURNAL*. This section also contains an elaborate and characteristic attack upon the Austrian school. The *saggi economici* deal with a great variety of current topics, the essays upon International Exchange including a discussion *di alcune tesi dell' Edgeworth*, which also appeared in the *ECONOMIC JOURNAL*. The *saggi sociologici*—some of which are rather popular in character—include articles on Herbert Spencer and on Mr. Kidd, the latter in the character of *un mistico del materialismo*.

Quite apart from his peculiar theories, Professor Loria is fully armed as a critic; he is not only an expert in economic theory, but his familiarity with economic literature is detailed and extensive; and he is keenly alive to contemporary movements both in theory and in practice. The fervour and exuberance of Professor Loria's style may not be to the taste of some readers, who might prefer a rather drier light; and exception could certainly be taken to many of the views that are advanced with such vigorous and militant confidence; but, taken as a whole, these essays in criticism constitute a contribution to economic literature of remarkable interest as well as of considerable significance. There are few writers on economics who are at once so learned and so spirited as Professor Loria, and there are few who touch so many points of human and social interest.

SIDNEY BALL

Les Systèmes Socialistes et l'Évolution Économique. By Prof. MAURICE BOURGUIN. (Paris: Librairie Armand Colin. 1904. 10f.)

Is Socialism practicable is the question which M. Bourguin has set himself to answer. Have the hopes cherished by many reformers that the adoption of some Collectivist system will remove the evils connected with the present economic organisation of society on the basis of free competition any real chance of fulfilment? Is the trend of economic development tending, as many believe, to bring about this transformation? These are difficult problems, and this volume, in which M. Bourguin has attempted their solution, is marked by an impartiality, a critical penetration, and a wealth of knowledge that must arouse the admiration of all

thoughtful readers, whether they wholly assent to the conclusions set forth in it or not.

The first part of M. Bourguin's book is devoted to a careful analysis of the chief Socialist theories, and a consideration of the question whether, even hypothetically, they can be considered practicable. In the case alike of Collectivism, which would replace the present method of exchange by a new standard of value in units of labour, and of State Socialism with its gigantic administrative machine, regulating everything and everybody, M. Bourguin shows, with relentless force, that apart from all other drawbacks the adoption of either system must inevitably entail such a loss of freedom as would be, and ought to be, intolerable.

The second part contains a detailed study of modern economic conditions with a view to ascertaining, by historical and inductive methods, the probable future trend of economic development, and to deciding whether an Individualist or Socialist organisation of society is likely to result. For, as M. Bourguin points out, the supporters of each of these two opposing systems claim with equal emphasis that the general trend of social change is in their favour. M. Bourguin's own conclusions will be acceptable to neither side. While convinced that the *laissez faire* system has proved itself unequal to the complex needs of modern society, he also sees an impassable gulf lying between the present economic organisation, an organisation largely of individuals and autonomous groups, and Collectivism, "*cette gigantesque organisation bureaucratique, privée de nerfs et de muscles, aveugle et sans équilibre.*"

M. Bourguin's final chapter, entitled, "*Le sens de l'évolution et la politique sociale,*" where he himself endeavours to play the part of prophet, is the one most likely to give rise to criticism. He first sets forth the Democratic ideal, which he holds will be one of the most powerful factors in the coming economic evolution. The passage deserves quotation:—"A sentiment has spread, not only among the masses of the people, but among thinkers and among many belonging to other classes of society, whose ideas are undergoing at the present time a strange transformation; this sentiment is that in spite of incontestable progress manual labourers have up to the present received only a quite inadequate share of the material and intellectual gains of our century; that in spite of the marvellous inventions which have placed the forces of nature at the service of man, the position of labour has not been ameliorated nor wages increased in proportion to the increase of

productiveness. . . . To those who are oppressed with the thought of the existence of misery, limitations, regulations, fiscal burdens appear trivial if they have for object to procure for all a minimum of existence and security."

So far, however, from there being any sign of the decrease or disappearance of the "salarial"—the great aim of the earlier Socialists—M. Bourguin foresees an extension of that class. But he points out there is no necessity for the "salarial" to be also the proletariat. The existence of a proletariat does not depend on the fact that the services of a large class are remunerated by a time-rate of wages, but on the insufficiency of those wages, the insecurity of the work, and the position of dependence in which the wage-earner is placed in regard to his employer. Hence, the importance of obtaining higher wages, a limitation of working hours, security by means of State insurance and in other ways, and, most difficult problem of all, assurance against unemployment. M. Bourguin is of opinion that the beneficent action of employers themselves, the influence of trade unions, and, above all, legislative action, will in the future bring about all these desirable reforms. He admits that this view may be considered optimistic, but explains that a certain amount of optimism is necessary in human affairs as tending to produce the very results desired.

But we cannot help thinking that M. Bourguin's optimism is extravagant, when he prophesies that, as soon as the "salarial" has been thus transformed, "the opposition of interests between employers and employed will still subsist, as it exists between producers and merchants, between tradesmen and consumers, between all those who have to settle the clauses of a bargain; but the struggle of classes, the hateful and violent antagonism, will lose its *raison d'être*, and will cease naturally." Employers and employed will arrange their bargains on terms of equality, and employers "will accept the demands of the workmen and increases in wages with the same coolness and resignation with which they submit now to increased prices of coal and cotton."

Frankly, we doubt it. The cases are not parallel. An increase in the price of cotton due to a poor crop must be endured, but an increased wage to labour, due to better organisation, is not a necessity at all in the same sense. Often, from an employer's point of view, it partakes rather of the nature of an increase in price due to the action of a "trust" or "corner." It may be noted that the recent adoption of half-time in the Lancashire

cotton mills as a defence against the operations of an American "corner," was an action closely akin to a lock-out or a strike in a wages dispute.

A somewhat similar optimism is, we think, displayed by M. Bourguin in answering the vital question whether, in the more highly organised state of society which evolution is tending to produce, the individual is not in danger of losing something of his autonomy.

That the advantages of association cannot be obtained without some sacrifice of liberty is, of course, self-evident; but M. Bourguin has scarcely estimated quite correctly the extent of that sacrifice. His idea, for instance, that English trade unions, while allowing the individual worker to obtain the reward of any superiority he may possess, merely prevent him from injuring the interests of his class by accepting inferior conditions is not consistent with facts.

To his further consoling question—"But why should the individual who now submits to the will of the majority in the political sphere find it more painful to submit to the same law in the sphere of his professional interests?"—the only possible answer is that it is always more disagreeable to submit to two painful experiences than to one, and that the individual who has had to sacrifice himself to the rule of the majority in political matters would not desire to see that rule extended into his professional concerns.

"If he loses," continues M. Bourguin, "something of his autonomy, it is only in the sphere of his economic action; as to the essential matters, as to the liberties which are as precious now as when first attained, liberty of movement, of thought, of speech—liberty as a citizen—they remain to him intact, or only endure diminution for causes absolutely foreign to the movement of economic organisation."

In the main this is doubtless true, but, at the same time, certain tendencies can be traced in the more organised and democratic society which evolution is producing, which suggest that even some of these elementary liberties may be endangered in the future. That most threatened is undoubtedly liberty of movement, and we wonder that M. Bourguin has not touched on the widespread tendency, based chiefly on economic grounds, to introduce a species of national "law of settlement," and to restrain freedom of movement not only for members of different races but even for those belonging to the same. Perhaps, had he noted it, his enthusiastic greeting to advancing Democracy might have

been slightly modified, for no tendency can be imagined more injurious to that lofty ideal of human brotherhood by which Democracy claims to be inspired.

CHRISTABEL OSBORN

Las Cajas Rurales, el Crédito Agrícola, La Co-operación el Ahorro, el Problema Agrario. By RIVAS MORENO. (Valencia: F. V. Mora. 1904.)

EVIDENTLY D. Rivas Moreno is performing a useful work in Spain, and the fact that his little book has run through four editions affords gratifying evidence that such work is appreciated, and therefore gives promise of bearing fruit. The glimpses which he gives of social economic conditions in the rural districts of his country may be read with advantage. Everything seems backward. Savings banks are few in number and not much understood. In 1903 there are said to have been only fifty-two in "the peninsula" holding 219,540,197 pesetas, that is, about £8,000,000, in deposits. Add the £4,000,000 said to have been deposited elsewhere, and you still have only £12,000,000 in a country of 19,000,000 inhabitants, which does not altogether bear out the novel theory that Protection particularly favours thrift. Provident institutions are scarcely known. Common effort is little resorted to. It is a little bewildering to be told on one page that the peculiar characteristic of the Spanish peasant is "good faith"; then, that it is the want of "good faith" which stands in the way of the creation of Schulze-Delitzsch Credit Societies; and, in the last place, that on account of the "bad faith" prevalent among the rick- and house-burning peasantry, insurance companies will not insure. The sketch given of Spanish agriculture seems to dispose of the vision of a sugar-beet-growing Spain eclipsing, by its productiveness, all other countries. D. Moreno describes Spanish agriculture as very backward, mainly for want of available working capital.

To supply such want by means of "agricultural credit" appears to be his main ambition. He would, indeed, introduce provident societies, pawnshops, savings banks, and a variety of other useful institutions. But, above all things, he desires to be known as the "Raiffeisen" of Spain. His zeal and earnestness are above suspicion. And evidently he has already met with a certain measure of success. But he has gone to the wrong school for information. To have Raiffeisen bracketed together as a "Socialist" with Lassalle, and to find the excellent Raiffeisen

banks of Alsace spoken of as something altogether different, rather takes away one's breath, and shows the author's studies to have been not quite as well-directed as they were well-intended. Some reference might also have been made to other pioneers in the same cause, such as the late D. J. D. de Ràbago and the sturdy co-operators of Catalonia. But certainly one would wish D. Moreno to be successful in his social work.

HENRY W. WOLFF

The Kinetic Theory of Economic Crises. By W. G. LANGWORTHY TAYLOR. (University Studies.) University of Nebraska. 1904. Pp. 77.

THIS paper would certainly have been more readable and, we venture to think, not less useful, if fewer analogies had been employed, and if the author had not had such frequent recourse to the language of psychology and of other sciences. A sentence like the following, on page 38 (and there are many such), does not appear to us to throw much fresh light upon the subject of the paper. "Since conjunctures exist in a hierarchy, since higher conjunctures are progressively psychic, since what is psychic is characterised by motion, and since motion is a matter of process and function, it follows that the general circumstances that we call a process, having motion and a psychic character, may, in turn, be regarded as belonging to the environment, when considered relatively to a still higher process; this is the evolutionary explanation of the analogy of society to a moving equilibrium." "Crises phenomena" are, according to the author, "normal" and "kinetic." Their proximate causes "act in obedience to laws of motion and change." A thorough study of crises, he thinks, "will give to laws of that character a much greater prominence in economic theory than they have hitherto claimed or attained." The paper contains several criticisms of Mill and the older economists, who the author thinks employed too exclusively the static method. However this may be, we are inclined to think that Mill's analysis of economic crises is, on the whole, quite as satisfactory as the one before us.

H. S. FURNISS

Money: A Study of the Theory of the Medium of Exchange. By DAVID KINLEY. (London: Macmillan. Pp. 415.)

PROFESSOR KINLEY deals in this volume with almost every question affecting money, including its history, its importance to

society, its distribution and value, the methods of measuring its purchasing power, together with credit, bimetallism, paper-money, and other kindred matters. The text shows that its author has studied the subjects dealt with with great care, an impression confirmed by an excellent bibliography. The result is, however, disappointing. The expressions used are sometimes very loose. For example, it is stated that, as to commodity money, "part of its value is certainly due to the demand for it for monetary purposes" (p. 63). Again, we are told that, with regard to copper in China, and gold in the United States, in each case "the value of the coin is large for its bulk relatively to the needs of the community" (p. 75), and that "it is a common belief that the demonetisation of silver by Germany contributed not a little to the rise in the price of gold" (p. 194). The author is consequently often difficult to follow, and one is not unfrequently led to suspect that the looseness of expression is due to a certain confusion of thought. A second reading, it is true, sometimes revealed a meaning not at first suspected, and this may indicate that the fault lay with the reviewer rather than with the reviewed. The general conclusions arrived at are, as a rule, sound, but certainly the precision of expression which should characterise a text-book is not here to be found.

It is, however, to the author's treatment of the theory of credit and of the value of money that most exception may be taken. "The total value of money," it is stated, "will always be determined by the utilities which it creates or saves" (p. 130). Here we are in doubt as to the meaning of the word "determine." If this sentence can be construed into meaning that utility is a necessary factor in the creation of value, no exception need be taken; and when we find a paragraph headed, "The value of money at any moment determined by demand and supply" (p. 135), we are inclined to adopt some such interpretation. But such sentences as the following make it impossible to believe that the commonly accepted views on this subject are held by the author. "The value of the money in use at any time will be fixed by competition for it; and, socially speaking, it will be the capitalised value of the service rendered in the marginal exchange" (p. 135). With regard to the equilibrium "between the marginal utility of money for reserve purposes and its marginal utility for direct payment," we are told that "this equilibrium would emerge when credit exchanges and direct money exchanges had each been pushed down to the point where the expensiveness of exchange to society by each method is proportionate [in inverse proportion?] to the

volume of exchanges performed by each method " (p. 206). If the author's views as to the value of money had been more clearly enunciated, it would have been easier to criticise them.

The concluding chapter deals with convertible paper currency in a satisfactory manner, although exception may be taken to one or two paragraphs. Like most American economists, the author desires greater elasticity in the issue of notes, though no definite machinery for securing this object is suggested. The plea for this demand is that "people who want the seasonal extra supply of currency are too far from banks" to make use of other credit machinery, and are, moreover, "more or less unaccustomed to keeping banking accounts" (p. 362). Here we have the explanation of the greater need for elasticity in the United States than in England.

L. DARWIN

Le Rôle de la Monnaie dans le Commerce International et la Théorie Quantitative. BERTRAND NOGARO. (Paris: Giard and Brière. 1904.)

THE author deals almost entirely with the theory of the adjustment of international demands by the transfer of bullion as elaborated by Ricardo, Mill, and others. He considers that these writers are wrong in many of their theoretical conclusions, and that their main thesis cannot be confirmed by statistical investigations. He admits that his conclusions are mainly negative, but he appears to believe that a nation which no longer possesses that superiority in productive power which is necessary to maintain the equilibrium of international trade, will see its money driven from its shores, and some of its inhabitants forced to emigrate *en masse* (p. 204). The author's main difficulty in dealing with the various questions involved appears, however, to be his incapacity to appreciate arguments based on the separate effects of independent variables.

LEONARD DARWIN

Law in Business. By H. A. WILSON. (London: Methuen and Co. 1904. Pp. viii.—150. 8vo. 2s. 6d.)

THIS little book is apparently designed to be useful to men of business in their transactions in daily life. It is divided into eight chapters, of which the first two deal with general principles applicable to contracts according to the law of England. The

next five (Chapters III.—VII.) deal with specific contracts, as Bailments, Agency, &c.; while Chapter VIII. is devoted to Bankruptcy. The book is written in a simple non-technical manner, so as to be easily "understood of the common people." The writer cites no authorities.

The value of a book of this kind can only be to give laymen a general notion of their rights and duties in business transactions. It has not, and does not profess to have, any scientific value. Books of popular law, so to say, like those of popular astronomy or other science, may open the eyes of their readers to the extent and importance of the study, but cannot give them a comprehensive view of the subject. Neither can such books be depended upon as a guide in practice. The idea of "Every Man his own Lawyer" is a dream. As has been said, the man who conducts his own case or makes his own will has a fool for his client.

The present book seems to be fairly accurate, so far as it goes, though a certain number of its statements would require modification. It is probably about as good as a book of the kind can be made.

HENRY GOUDY

Entstehung und Rückgang des landwirtschaftlichen Grossbetriebes in England. By DR. HERMANN LEVY. Pp. vi., 247. 8vo. (Berlin : Julius Springer. 1904.)

THE salvation of English agriculture lies, according to Dr. Levy, in the hands of the small farmers. He begins his careful and exhaustive treatise with a history of the development of the large farm in the middle of the eighteenth century. It gradually became an accepted theory that farming on a large scale was the only possible form of agriculture for this country, a view which the writer condemns as a hasty generalisation from facts imperfectly comprehended. The high price of wheat current from 1765 gave a stimulus to this particular branch of agriculture in which the large capitalist farmer has overwhelming advantages over his small competitor, and the small competitor was crowded out of existence. It was not until 1870 that the tide turned. Foreign competition ruined the British wheatgrower, but raised the small farmer to his feet. The low price of bread, coupled with a rise of wages in the towns, left the working classes a margin of income which served to create an effective demand for meat, vegetables, fruit, and dairy produce—the products of the small farm

par excellence. Agriculture has adapted itself, though very slowly, to the new conditions, and here, according to the writer, if we are wise we shall stop. A revival of the corn taxes would throw the whole machinery out of gear, restore the order that existed prior to 1870, and re-create the old artificial antagonism between town and country. Dr. Levy has some interesting things to say regarding peasant proprietorship, and goes at some length into the question of co-operation, which he considers the small farmer's best weapon against his foreign competitors.

H. REINHERZ

Deutsche Arbeitskammern. By DR. BERNHARD HARMS.
(Tübingen : H. Laupp. 1904. Pp. xii—96. 8vo.)

IN the interests of industrial peace, a Royal Decree of February 4th, 1890, promised the working men of Germany special facilities for giving expression to their needs and wishes in a "free and peaceful manner." The wording of the Decree was sufficiently vague to avoid the necessity for immediate action, and until recently the question did not become one of practical politics. The Social Democrats had begun their campaign for "Arbeitskammern," that is, industrial councils established by the State, and consisting of an equal number of representatives of employers and workmen, as early as 1877; the other parties eventually took up the matter, and on January 30th of this year the battle was won.

Dr. Harms gives an account of the councils at present in existence in Belgium, Holland, France, Italy, and Switzerland, and describes their origin, their constitutions, and their practical achievements. He then traces the movement in Germany from its initiation by Schönberg in 1871, to the present day. The last chapter reviews the whole question of industrial councils, their functions and uses, suggests the lines on which the forthcoming German councils should be established, and points out how the mistakes, which are chiefly responsible for the councils' lack of success in other countries, may best be avoided.

H. REINHERZ

Der Lübecker Schoss bis zur Reformationszeit. (Staats und Socialwissenschaftliche Forschungen.) By DR. J. HARTWIG.
(Leipzig : Duncker and Humblot. 1903. Pp. xii—237. 8vo. M. 5.20.)

THE Schoss was a direct tax established in the free city of Lübeck in the eleventh century, and in force until 1811.

Originally a purely personal charge levied on burghers only in lieu of personal service, it became in the thirteenth century a general tax on property, from which only the Clergy, Knights, and Guests within the city walls were exempt. The tax was not collected, and there was no control over the amount charged. On the appointed day each man brought his contribution, and placed it in a chest; the authorities had made known what percentage on his property they claimed—the rest was left to his conscience. The Schoss was an important institution until the middle of the fifteenth century, after which it began to lose ground. The city was at peace, its financial needs diminished, and certain municipal enterprises, notably a Beer Cellar, furnished a large proportion of the revenue required.

This book is the hundredth volume of a series of economic studies edited by Prof. Schmoller. The editor's practice is to encourage young writers to the study of historical subjects rather than controversial questions of the day, which, in his opinion, they are not qualified to solve. The "Lübecker Schoss" is the work of a docile and painstaking disciple. The history of the tax, the time and method of levying it, the amount, the incidence, the yield, are described in the minutest detail, with copious extracts and quotations (which might with advantage have been translated into modern German) from the records and registers of the city. The writer ventures on no expression of opinion, and leaves his readers to decide whether or not the tax played a useful part in the life of the city.

H. REINHIERZ

An Inquiry into the Nature and Causes of the Wealth of Nations.

By ADAM SMITH. Edited, with an Introduction, Notes, marginal Summary, and an enlarged Index, by EDWIN CANNAN. (London: Methuen and Co. 1904. 2 vols. 8vo. Pp. xlviii. + 462, 506. Price 21s. net.)

THIS is incomparably the best edition of the *Wealth of Nations*. In industry, scholarship, and utility to the serious student, it eclipses all its predecessors. The text of the *Wealth of Nations*, bound in cloth, can now be purchased for a florin, and only the serious student can be expected to buy this guinea edition. But he will undoubtedly get his guinea's worth. Mr. John Rae's admirable *Life of Adam Smith*, and Dr. Bonar's *Catalogue* of a large part of Adam Smith's library, together with the *Lectures* of Adam Smith, edited by Mr. Cannan in 1896, have

enormously simplified the task, never before thoroughly undertaken, of investigating the "sources" upon which Adam Smith drew for his immortal work. He himself quotes his authorities to a much greater extent than is commonly supposed. But Mr. Cannan has verified—often corrected—them, and has supplemented them with references sometimes omitted, or only vaguely alluded to, by Adam Smith himself. He follows the text of the fifth edition, the last published in the author's lifetime, but gives the reading of each earlier edition when any differences are to be found. And he has added a useful marginal summary, and an enlarged index, which very greatly increase the readiness of reference to this great classic. Altogether, a masterly edition.

In the introduction to his edition of the *Lectures*, Mr. Cannan observes: "The most conscientious effort has been made to resist the temptation to which commentators on the *Wealth of Nations* have generally succumbed, of using the text as a mere clothes-line on which to hang editorial opinions on economic theory." He has not now been so conscientious, or so successful, in this respect, as to avoid some fragment of the reproach thus justly levelled against his predecessors. He is, indeed, very sparing in this kind of commentary; but it could be wished he had abstained from it altogether. Even an occasional critical note is, unfortunately, liable to lead the unwary reader to assume that Mr. Cannan, when he keeps silence, sees no reason to qualify the statement in the text. And when he does "qualify the statement," his very terseness makes it necessary, in some cases, for the reader to qualify the qualification. To comment upon the *Wealth of Nations* fully is to write a treatise. To comment upon it spasmodically seems hardly worth doing in a work of this character. An example will illustrate the objection. In discussing "natural and market price," Adam Smith remarks that "though the market price of every particular commodity is . . . continually gravitating, if one may say so, towards the natural price; yet sometimes particular accidents, sometimes natural causes, and sometimes particular regulations of police, may, in many commodities, keep up the market price, for a long time together, a good deal above the natural price." And he goes on to say, after mentioning monopolies, &c., "The exclusive privileges of corporations, statutes of apprenticeship, and all those laws which restrain, in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree." Upon this Mr. Cannan quotes (i. 63) a note from Playfair: "This observation about corpora-

tions and apprenticeships scarcely applies at all to the present day. In London, for example, the freemen only can carry on certain businesses within the City; there is not one of those businesses that may not be carried on elsewhere, and the produce sold in the City. If Mr. Smith's principle applied, goods would be dearer in Cheapside than in Bond-street, which is not the case." Now what can be the object of reprinting this rather foolish comment? "Mr. Smith's principle" is satisfied if prices in Cheapside tended to be higher, owing to exclusive privileges, than they would be without those privileges. Whether he was right or wrong cannot be proved by a reference to prices in Bond-street, which are influenced by other special circumstances, and are to-day higher than those in Cheapside, in almost all cases.

Upon the great question of Adam Smith's indebtedness to his French predecessors, I see nothing to change in the opinions I expressed in 1896 in my review of Mr. Cannan's edition of the *Lectures* (ECONOMIC JOURNAL, Vol. VI., pp. 608-612). How much Adam Smith was indebted to Cantillon for his theory of natural and market price might well have been indicated in Book I., Chapter VII., by a reference to pp. 33-39, and 155-159 of the *Essai*, to which Mr. Cannan makes frequent allusions elsewhere. That Adam Smith "acquired the idea of the necessity of a scheme of distribution from the physiocrats," is Mr. Cannan's own statement, with which I am in entire agreement. Turgot is not mentioned in the Index, but a reference to him in the Introduction seems to show that Mr. Cannan is still recalcitrant to the suggestion that Adam Smith was in any way indebted to Turgot. It is hardly enough to triumph, in this connection, over Thorold Rogers, who airily refers in his *Economic Interpretation of History* to "the famous canons of taxation which Adam Smith borrowed from Turgot," or to rely upon the fact that the library, as catalogued, contains none of Turgot's writings. The *Catalogue* covers perhaps only half of the library. Mr. Cannan ought to have made some reference to Feilbogen's *Smith und Turgot*. We know that Turgot sent Adam Smith some documents (described as a Budget in Dr. Bonar's *Catalogue*), and that his much-prized copy of Moreau de Beaumont came to him from Turgot. It may be of interest to mention that this copy was in the library of the University of Edinburgh, and was shown to me with an inscription on the fly-leaf, when I visited the library in 1892. It is no doubt still there, but it was not possible to obtain the information when the *Catalogue* was published in 1894. It is incredible that Adam Smith, who knew Turgot well and esteemed him highly, should

not have troubled to read his writings upon the subjects which were to him of such absorbing interest. In Vol. II., p. 163, a note states that Adam Smith had Du Pont's *Physiocratic* and Mercier de la Rivière's well-known treatise in his library. But more important, as expositions of the physiocratic system, are Mirabeau's *L'Ami des Hommes*, and especially his *Philosophie rurale*, which were also in the library, and the last of which is actually quoted in the *Wealth of Nations*.

Another German writer to whom we expected some reference is Professor Hasbach. His arguments as to the influence of Malebranche and Cumberland upon Adam Smith deserved notice in the discussion upon the effects of the work of Hutcheson and Mandeville. It is, too, a little surprising that no remark is made as to the parallelism with Tucker. Only now and then does Mr. Cannan's industry appear to flag. In a footnote to Vol. I., p. 181, we are told that a reference to Dupré de St. Maur cannot be verified from either of two books. But he was a much more prolific author, a fact of which the note gives no hint. The suggestion on p. 74, Vol. I., that Adam Smith was mistranslating Du Halde seems rather far-fetched. The French press teemed with writings upon China in the middle of the eighteenth century, and it is much more probable that Adam Smith is quoting from some other source. On page 397 of Vol. I. we expected references to Hume and Berkeley, on p. 435 to Harrington and More, and on p. 221 of Vol. II. it would have been more valuable to the student to explain what "*épices* and vacations" were than to point out an error in an accent. Mr. Cannan mentions the polish of Adam Smith's invective against the East India Company. He might with advantage have quoted here, with suitable comment, the allegation of a former editor of the *Wealth of Nations*, Thorold Rogers: "The publication of the great work was delayed, as I have recently discovered, by some negotiations which were undertaken by Pulteney with the East India directors, to get Smith an office in the Bengal Council. They failed, and to their failure we owe the publication of the *Wealth of Nations*, which would never have seen the light had he obtained the appointment."

The fact upon which this charge was mistakenly founded is itself of interest when we are trying to follow the construction of the treatise. So, too, are Adam Smith's remarks that he understood Steuart's system "better from his talk than from his books," and that he flattered himself he had refuted in his own treatise all the fallacies of Steuart's book without once naming it. For such direct evidence that he had read Steuart, it is not un-

reasonable to look in this kind of edition. His letters and conversations might have been drawn upon more freely, with illuminating effect. When, *e.g.*, he mentions Necker in the *Wealth of Nations*, we might be reminded by a footnote that he characterised him orally as "a mere man of detail." And we should like, finally, such a bibliography of editions and translations as appears at the end of Mr. Haldane's monograph on Adam Smith, brought up to date and completed with references especially to the historical German essays of Roscher, Kautz, Zeyss, and Oncken. Nobody knows better than Mr. Cannan the immense assistance afforded by such a list.

The debt of gratitude which every lover of Adam Smith owes to Mr. Cannan for his edition of the *Lectures* is doubled by this edition of the *Wealth of Nations*. He will, perhaps, accept these suggestions as evidence of the obligations which one reader feels to him for his strenuous and successful work.

HENRY HIGGS

The Problem of Monopoly. By JOHN BATES CLARK. (New York: The Columbia University Press. 1904. Pp. 128.)

THIS book consists of a report of a course of lectures delivered by Professor Clark in Cooper University, New York. There is little in it which adds to the knowledge of those who have already read *The Control of Trusts*, but the bright style in which it is written renders it a most enjoyable book. The real question is, What would the powers of the trusts for harm be without a tariff? and it is almost certain that Professor Clark is too cautious when he is frightened of sweeping away every vestige of protective duty. A scientific tariff must for ever remain an idle dream of academic theorists, for, as Professor Clark observes: "With what difficulty shall they who have political entanglements rise to the level of patriotic work for the people! With what difficulty shall a body of men making log-rolling bargains with each other get even a glimpse of the scientific principles on which the reformation of a tariff should be conducted!" What is more, those who are interested in a protective tariff are not such fools as to want a scientific tariff; what they want, and in the United States they have got, is a tariff which enables large organisations to bleed the people. Surely, a complete abolition of the protective tariff would draw the teeth of many of the trusts, though railways and monopolies which control natural products, such as oil, would require some further treatment. To control,

monopolies is, no doubt, necessary, but it is difficult; to take away the main condition under which they do harm is still more necessary, and would not be difficult in a country which was governed in the interests of the community at large.

C. P. SANGER

The Theory of Loan Credit in relation to Corporation Economics.

By J. PEASE NORTON. (American Economic Association. 1903. Pp. 56.)

MR. NORTON is favourably known to students of abstract economics by his brilliant attempt to apply the higher theory of probabilities to the phenomena of the money market. The very competent reviewer of that essay in the *ECONOMIC JOURNAL* (1902, p. 518) was justified in expressing a wish for "more such studies." This wish is now fulfilled by Mr. Norton's method of representing the distinction—one of degree rather than kind—between the fixed and running expenses of a business. "The correct statement is that expenses may be ranged along a frequency distribution according to the ratio which they vary with output. The vertical scale [the ordinate] in the above figure [a curve of a kind familiar to the student of probabilities] represents amount of expense, and the horizontal axis [the abscissa] the form-rate at which expense varies with output." The average value for the upper half of this frequency curve is taken to represent fixed expenses; the average for the lower half, running expenses. Upon this construction it may be remarked that the rate at which each kind of expense varies with output does not present a quite clear idea, in the absence of explanations which the author has not vouchsafed. Does not this rate depend on the magnitude assigned to the output? For a very small—a differential—output the rate is presumably zero with respect to expenses other than prime cost in the narrowest sense of that term. If finite differences of output are to be considered, there must be contemplated a rearrangement of the factors of production; and accordingly the rate in question will depend on the magnitude of the increment to the output. We may likewise complain of enigmatic brevity in the explanation of the scheme which is designed to represent the probability that the earnings of a concern will be large enough to assure a certain rate of interest for loaned capital.

These constructions subserve the purpose of throwing light on the business of companies. The mathematical student is assisted in one of his most difficult and important tasks :

to obtain a neat but adequate formula for profits as dependent on incomings and outgoings, a clear and appropriate conception of the principles on which a manager or *entrepreneur* acts in fixing those economic variables of which he has the control. Among such variables our author gives a prominent place to prices. "The principles underlying railroad rates so clearly worked out by President Hadley underlie the price policy of modern business in general!" Perhaps the writer applies the term "monopoly" too unreservedly to any business in which the manager has some power of varying prices. To take our own illustration (*cf.* *ECONOMIC JOURNAL*, 1897, p. 235), hotel-keepers in the same neighbourhood may be free each to fix his own charge for wine, candles, and so on, and yet they may be subject to what Cairnes called *industrial* competition, in so far as the net advantages offered to customers cannot be very different for the same total charge. We are not convinced that transactions should be described as "non-competitive" because "the consumer cannot detect differences of 60 to 100 per cent.," as Mr. Norton shows reason for believing. For, suppose this to be true of wine in the instance just given: a hotel-keeper would then be tempted to serve the same wine at different prices under different labels; and the scale of charges might vary according to the honesty and discretion of different managers. And yet, as it appears to us, the industry is not on that account to be described as non-competitive. It is rather a sweeping assertion that "there never was a competitive price fixed by theoretical supply and demand curves, except in the case of a few staples capable of being graded." Even where this statement is literally true, may not the play of competitive forces, whereof supply and demand curves are the outcome or expression, still subsist in its essential character—for instance, in the labour market, and in transactions respecting house accommodation? (*Cf.* Marshall's *Principles of Economics*, VI., II., § 2, *note* 3.) In short, the author may seem to exaggerate the element of monopoly in modern business. But no doubt it is a very important element, and he has done well in formulating its action more clearly.

F. Y. EDGEWORTH

Istituzioni di Economia Politica. By PROF. A. GRAZIANI.
(Turin: Bocca, 1904. Pp. 718.)

THE work before us, equally with the financial "Institutions" which were reviewed some years ago in the *ECONOMIC*

JOURNAL (1897, p. 402), commands our admiration as a sound and solid body of economic doctrine. A particularly agreeable feature is formed by the frequency of allusion to economic literature. From the space occupied in the index by references to J. S. Mill we have calculated that Mill is cited more than ninety times by our author. Professor Loria is cited more than a hundred times. It should be added that the references to economic literature are not only abundant but *recherché*.

This general encomium does not preclude our dissenting from the author on a particular point, the very point which obliged us to qualify our approbation of his earlier work. Professor Graziani still adheres to the declaration that a specific tax on a monopolised article does not necessarily, in general, tend to raise the price of the article; "it may be the interest of the monopolist either to raise the price or to maintain the original price." This thesis having been disputed in the review of 1897, Professor Graziani defended himself with spirit in a *brochure* entitled, *Sulla Riper-
cussione delle Imposte nei Casi di Monopolio (a proposito de
alcune osservazioni del Prof. Edgeworth)*. This rejoinder provoked a reply—in legal phrase a "surrejoinder"—in the ECONOMIC JOURNAL for 1898. Professor Graziani now follows with a "rebutter." But the reader must not expect from us a "surrebutter." Even at an earlier stage we had observed that economic controversy is a thankless task, because you cannot hope to make any impression on your opponent, and yet he is the only reader on whose interest you can count. These reasons for keeping silent have not become less cogent with the prolongation of the controversy. Besides, in declining to reply now, we do not leave the last word to the antagonist. For in his latest utterance he repeats, word for word, the arguments which we had already quoted and replied to in the "surrejoinder" of 1898 (ECONOMIC JOURNAL, Vol. VIII., p. 234). The few who may be interested in this abstract question are asked to take the trouble of referring to that reply. It will be observed that a certain loophole for evasion was left by the affirmation of the conclusion as true in general and except in peculiar cases.¹ It is assumed that the curve representing net produce is, in general, of what may be called an ordinary kind; that the point at which the maximum occurs is not what the mathematicians call "singular." Suppose the locus to consist of two right lines in-

¹ "In general and excepting the peculiar cases in which the second differential (as well as the first) vanishes at the point of maximum or becomes infinite."—

* Note 2, p. 235, ECONOMIC JOURNAL, 1898.

tersecting in a point which corresponds to the greatest ordinate. In this case it very possibly "may be for the interest of the monopolist either to raise the price or to maintain the original price" when a tax is imposed. The controversy thus seems narrowed to this question: Is it to be taken for granted that the locus representing an economic quantity, such as the net profits of a monopoly, does in general form a continuous curve? If the question is construed strictly, the answer must be in the negative. Looked at through a microscope, an economic curve will show as a *polygon*, as pointed out by Messrs. Anspitz and Lieben (*Theorie der Preises*, p. 124). If it were possible to tabulate the amounts of net produce corresponding to different amounts of produce, the locus representing these observations would be a discontinuous set of points. But if the locus is discontinuous, it will be the interest of the monopolist to maintain the original price when a specific tax is imposed, provided that the tax is sufficiently small. The reader who considers the illustration given in our former paper,¹ substituting a polygon for a curve, will at once see the truth and insignificance of this proposition. Professor Graziani is formally correct in saying (*Istituzioni*, p. 235, par. 1) that when the tax is very small, then the probability is greatest that it will be the interest of the monopolist to maintain the price. So far as this incident depends on the *roughness* of the curve, we, of course, admit it, under the head of "friction." *De minimis . . . cadit quæstio*. With reference to a tax of sensible magnitude, the question may be thus stated. If a freehand curve-line were drawn through or among several of the points which correspond to different amounts of net profit, is it, in general, likely that the point on this curve, for which the ordinate is a maximum, is a "singular" point? May we commonly expect a *gabel* instead of an arch? Our postulate,² that a negative answer must be given to this question, will probably be regarded by Professor Graziani as "arbitrary" (*loc. cit.*, p. 235, par. 2). But we submit that this is one of the postulates with respect to the form of a "function," employed in abstract reasoning, which are justified by a sort of common sense founded on wide experience.³

F. Y. EDGEWORTH

¹ *ECONOMIC JOURNAL*, viii., p. 236. Cf. *ibid.*, ix., p. 307.

² Cf. *ECONOMIC JOURNAL*, vol. ix., p. 307, par. 2.

³ Cf. "Teoria di Monopoli," *Giornale degli Economisti*, p. 318.

Sulla Ripercussione e la Incidenza dei Dazi Dognali. By RICCARDO DALLA VOLTA. (Florence: Lumachi. 1904. Pp. 48.)

A SCHOLARLY discussion of the principal theoretical writings on the subject leads to the sound conclusion that, as a rule, the bulk of an import tax falls on the importing country, and only in exceptional cases is it borne by the foreigner. This is a view very different from that of Bismarck, who doubted whether prices would be raised even if the duty on imported corn were trebled. The case of rye imported into Germany from Russia, perhaps, belongs to the exceptional class. There one of the rare conditions which favour the shifting of the burden on to the foreigner—what Professor Bastable, in his candid discussion of the question, calls “monopoly of demand”—appears to be adequately fulfilled; at least in years of ordinary plenty, when the demand of Germany for Russian rye is not very urgent. Monopoly on the part of the exporting producers may also form an exception to the rule.

F. Y. EDGEWORTH

Vergeltunzölle. By PROF. H. DIETZEL (*herausgegeben von der Volkswirtschaftsleben Gesellschaft in Berlin*). (Berlin: L. Simon. 1904. Pp. 60. 1 mark.)

RETALIATION, according to Professor Dietzel, is a generic term, divided into two species, retorsion, which is positive and militant, and reciprocity, which proceeds more slowly by the peaceful method of negotiation. The species have many properties in common. The conditions of success are much the same for both. The supply on the part of the foreign country must be inelastic; the demand on the part of the retaliating country, not so. These conditions are well illustrated by the case of a tariff war between Russia and Germany. The demand in Germany for Russian rye, the hunger of the German weavers for Russian flax, is about as urgent as the eagerness of the Russian agriculturist to dispose of his produce; at least, for short periods. If we consider longer periods, rye would probably be obtained from Germany from new sources, in particular by an increased cultivation of the cereal in Germany itself. This latter circumstance, it is remarked, would create an interest adverse to the restoration of Free Trade. Even Ricardo did not propose the sudden

removal of agricultural Protection after the peace. This sort of adverse interest is even more likely to grow up, under the more prolonged action of reciprocity. Dealing with this part of his subject Professor Dietzel examines taxes on food-stuffs, on articles of luxury, on materials, and machinery; showing that in every case, in order to wound the enemy, we must hurt ourselves. The loss is certain; the gain problematic. It is not, however, inconceivable; Retaliation is not—though it is very likely to become—mere Protection. Prince-Smith and the “unconditional Free Traders on the other side of the Channel” have exaggerated the case against Retaliation. Enlightened by Adam Smith’s impartial *dicta*, Prof. Dietzel shows reason to believe that Caprivi in the commercial negotiation of 1891–2 played the part of that “wily animal, the statesman,” with some success. The conjuncture was favourable. The policy of Germany was clear; her way of negotiating conciliatory. All these favourable conditions are wanting to the recent negotiations from which Professor Dietzel bodes no good results. Bullying and preparation for tariff war [*Rüstung*] cannot be practised by one nation without others following. The fact that Prof. Dietzel writes for Germans about German policy gives weight to his disinterested opinions about Mr. Balfour’s policy, which he thinks may easily lead Great Britain into the inextricable net of Protection. She will thus lose the economic advantage over other nations, which she has hitherto obtained through her Free Trade. It is possible, says our author, that England has already passed the zenith of her economic career, though he himself is of opinion that the “decadence of England” is now almost as untrue as in 1850, when it was affirmed by Ledru-Rollin. It is certain that the downward movement will become more sharply accentuated—that England’s power of competing in the world-market will decline even quicker—if she has to pay for the policy of Retaliation by a permanent protective tariff (*Fall es die Politik der Busse mit dauernden Schutzzoll büsste*).

• F. Y. EDGEWORTH

International Trade. By JOHN A. HOBSON. (London: Methuen and Co. 1904.)

THE ephemeral writings called forth by the opening of the fiscal controversy are now giving way to something more substantial. The valuable works of Professor Smart, Lord Avebury, and

Mr. Pigou, are now followed by Mr. Hobson's well-written and effective exposition of the principles of foreign trade. The book is intended for readers who have had no special training in economics, but who are willing to take the trouble required in order to understand the subject, and who desire to reach the truth. It must be confessed that such a reader will not find his course altogether a smooth one. "Producers' rents," "marginal costs," "non-competing groups," are not expressions that can be understood by the light of nature, and these are but samples of the terms that Mr. Hobson finds himself compelled to employ. This difficulty is inherent in the subject, and it is one which cannot be removed by apparent simplicity of statement. If—to use the French expression—the theory of foreign trade is to be "vulgarised," the work of popularisation could hardly be better carried out than it is in this book.

It need hardly be said that the conclusion reached is that of the scientific Free Trader. The relation between imports and exports, the distinction between "protective" and revenue taxes, and the complicated incidence of duties, are all explained in a lucid and attractive way. Somewhat fresher is the discussion of the "Mystery of Dumping" (chapter x.), in which the pleas of the Protectionists are critically examined, and the real nature of underselling and alleged "selling below cost" is explained.

The value of the work is enhanced by the fact that its author is by no means prepared to accept off-hand the doctrines of "the *laissez faire* economist" (p. 146). He has far more sympathy with the socialist school, and therefore his support of the economists is the result, not of sentiment, but of reasoned conviction. This agreement on the part of those who differ widely on other and perhaps more important economic subjects affords of itself a strong presumption of the soundness of the Free Trade view.

As might be expected in a work intended for popular use, some of the theoretical positions occupied cannot be regarded as impregnable. One of the most interesting of these is Mr. Hobson's development of the explanation, given by Professor Marshall some years ago, of the slow increase of British exports. This, as readers of the ECONOMIC JOURNAL will remember, rested on the greater increase in expenditure on "Services" than on material products. Mr. Hobson asserts that the phenomenon is a general one. "As industrial civilisation advances, the number, the volume, the value of trade with foreign nations must increase, but not so fast as the number, the volume, the values of the internal industry concerned with satisfying wants which are constantly becoming

more refined and more largely non-material in their forms" (p. 7). And, again, "Every elevation of the general standard of comfort of the people diminishes the relative importance of external trade and enhances the importance of internal trade" (p. 8). This doctrine becomes on the next page "the economic law according to which internal industry grows faster than the external trade of nations." While fully accepting the explanation in the particular English case, we must demur to the claim of the new "economic law." There is no evidence to establish its existence. It is quite possible that in the future immaterial products may enter largely into international trade. Professional services may, and probably will, be supplied by one country to another to a great extent. It is the more curious to find this new "law" propounded by a writer who is careful to speak of the "so-called law of increasing returns" (p. 132), and our surprise is not diminished by the fact that Mr. Hobson refuses to recognise any separate theory for international values. If trade between nations declines relatively as civilisation advances, it would seem that a similar fate ought to befall trade in general, and the civilised individual supply more of his needs by his own exertions. There is, in truth, nothing so definite as a law, even in the empirical sense, which holds on this matter. At certain periods, foreign grows more rapidly than domestic trade; at others the movement is in the opposite direction; but neither movement is necessarily connected with national progress or decline.

Another questionable statement is contained in the assertion that "excepting where what is called the law of Constant Returns prevails . . . there is nothing that can be rightly called a separate cost of production for units of output" (p. 135). "The economic fallacy of imputing to any portion of an output a separate cost of production" (p. 134). "The true formula," we read, "runs thus: If 1,000 tons be produced each ton costs 10s.; if 2,000 tons be produced each ton costs 8s.; if 3,000 tons, 7s., and so on" (*ib.*). Taking "the true formula" as it stands, is it not clearly in accordance with fact to say that the first 1,000 tons has cost £500, while the second 1,000 tons has only cost £300, and therefore that each ton of that second 1,000 has only cost 6s., which is its "true cost"? Were Mr. Hobson's contention justified it would follow that the farmer ought not to distinguish the several costs of production of different quantities of wheat. "He will aggregate the prices he gets for the several portions of the output and treat the aggregate as one price" (pp. 134—5), a statement which has been ingeniously urged by

a critic of the theory of rent—the late Dr. Todd—and which, if true, would be fatal to it. Happily, this particular statement in nowise affects the soundness of Mr. Hobson's general argument.

The longest chapter in the book (chapter xi.) reiterates the argument contained in other of our author's writings on the question of "over saying," or "under consumption." The matter has been sufficiently discussed, and it is only necessary to say that as Mr. Hobson's theory involves him in a difficulty which need not have been encountered, so his skill in argument and the still more glaring defects of his opponents' position supply him with a fairly satisfactory mode of extrication. It should be added that the same chapter contains admirable analyses of the agencies that contribute to the formation of actual tariffs, and of the motives that underlie the agitation for tariff changes.

C. F. BASTABLE

Work and Wages. Part I. Foreign Competition. By SYDNEY J. CHAPMAN, M.A. (London: Longmans, Green, and Co. Pp. xxxvi. + 301. 1904.)

THIS book is intended to be the first part of a sequel to Lord Brasséy's *Work and Wages*, and *Foreign Work and English Wages*, and to consider the problems there treated in the light of modern experience. The volume before us is only an instalment; for a second, dealing with "Labour and Capital," is to follow, we hope after no long interval. To the student of economic ideas as well as to the student of economic history the reading and comparison of the older and of the present work will be full of interest and instruction. *Work and Wages* was published in 1872, at the time which Dr. Cunningham has recently called "the Great Divide," when the rapid economical progress that marked the era 1850–1872 had not passed its culmination, and the series of problems which have suddenly assumed a political aspect, after having engaged economists for many years, was as yet unconceived. Prof. Chapman studiously and successfully avoids any treatment of the fiscal question, though he supplies much material for its consideration, and sets himself to the simply defined task of observing how the British nation stands and has stood, in comparison with its foreign rivals, in respect of the various factors which make for efficiency in industry. The factors dealt with are mainly, accessibility of

raw material, facility of transport, and efficiency of management, labour, and dealing.

Those who expect any simple answers to the questions, Are we as efficient as our neighbours? and, Have we gained or lost, in this respect, relatively to them in recent times? will be disappointed. The questions are highly complex, and there is no general answer, such as there may have been thirty years ago. An examination is conducted of those industries in which the nations have entered as competitors, notably of iron and steel manufacture, of shipbuilding, of engineering, of cotton and of wool. In some cases the verdict is for us, in some for the United States or for Germany. But even when this subdivision by industries is made, the answers are many-sided. No one can compete with us in the finer cotton-spinning and manufacture, though we are equalled in the coarser work. Our workmen in the shipbuilding yards are the best in the world, but the mechanical organisation is on a grander scale in the United States; and so, throughout the industries, the prize is divided. On an impartial survey of the industrial world it would seem that other nations, with better supplies of raw material, a freer field of enterprise, with our experience to start from, but unhampered by our traditions, might be expected to have made great strides in our wake, and before long to pass us in many paths; and, in fact, our author, who throughout keeps careful regard to economic and historical perspective, shows that this process has taken place. Developments have been, for the most part, on natural lines, though their dates, directions, and rapidity have been influenced by tariffs. On the whole, it is greatly to the credit of our manufacturers and workmen that we still have pre-eminence in many directions.

No book can deal in detail with the whole complex of industry, and in this the treatment is unequal, and in some cases fragmentary. The clothing trades and the less important textiles are dismissed very summarily. Agriculture is not touched on, nor are the building trades. Paper is relegated to three pages, while confectionery has no place. To some extent Prof. Chapman is editor rather than author, for he does not assume personal omniscience of the diverse processes and manufactures devised by man for economic ends, but rather selects accounts by the best experts. He has, however, done far more than select; he has brought his authorities into close line with one another, made consecutive accounts out of heterogeneous material, and illuminated the whole by close economic reasoning. His methods of preparing

and stating his case may be contrasted, with much advantage, alike with those of the Tariff Commission and of the contributors to *British Industries under Free Trade*.

The work is necessarily based to a great extent on statistical material; and, so far as we can judge, the possible sources have been well exploited; but the result is a sad revelation of the insufficiency of statistics for the task. There is no homogeneity in the information for the various countries, either in dates, arrangement, or definition of terms. Nothing can be done to amend the dates, but it may be submitted that in order that comparisons may be valid, they must rigorously extend over the same dates in the countries dealt with, and the comparison of all the parts should synchronise. Because these rules could not be observed the line of statistical argument is frequently difficult to follow, and sometimes nearly indefinite. As regards arrangement, our author has been, in many cases, too easily contented with his material; the earlier pages of the chapter on cotton are very difficult reading, and the various sets of estimates on pp. 60-61 are very confusing. What does "cost" in general mean when contrasted with "lowest cost"? The statistics are not sufficiently digested before presentation. We are given too often the raw material, without an attempt at that finish which our author claims as the specialty of English manufacture. Page 94 conveys no meaning to those who are not experts on blast furnaces. On p. 160 metric and English measurements are given in the same table, in spite of the strictures on the similar methods employed by commercial travellers. It is true that considerable efforts are made to secure uniformity of definition, but perhaps some useless estimates are included when uniformity is not possible; e.g., p. 215, and perhaps pp. 81, 82. Our main quarrel is, however, with the loose use of averages, and we hope that it is not too late to avoid in the following volume such statements as "wages . . . averaged only £2 8s. to £6 15s. a month," even though such a meaningless phrase is contained in the original from which the figures come. It was surely not necessary to leave Prof. Hasbach's statement that wages for weaving in Lancashire are "12s. to 24s. weekly" (p. 164), without expansion. Before leaving the statistics it should be said that the table quoted on p. 11 indicates that real wages doubled in the half-century 1840-91, not that they increased "fifty per cent." Again, we do not agree that the difference between cost of living in England and on the Continent can be treated as insignificant, because unknown (p. 19).

The great merits and interest of the treatment of the various trades must be left for readers to find for themselves; we can only allude here to some points of special interest. In the contrast between English and American methods the ready enterprise of the Americans is traced to the ever-widening market, due to the continuous growth of populated area. When the demand for new products is continuous and increasing, *entrepreneurs* have confidence in investing capital in new experiments. In England the proportion of old and fixed capital is greater, the natural growth less rapid; so that she excels mainly in standard and permanent products, while America is first in the newer inventions, and does not produce goods which will never wear out, but block the way of useful alterations. Again, the American manufacturer can count on an output on an immense scale, if he makes a hit at all, and obtains all the economics of standardisation, while the Englishman works for a more restricted market. This is not so disadvantageous as appears at first sight, for the method of standardisation prevents ready adaptation to a customer's wants, and several interesting cases are given, where the scale of production which gives best returns to the manufacturer, or convenience to the customer, is exceeded by the one country or the other. So far as there is a moral to the book, it is that the main condition of success in manufacture is adaptability, elasticity, readiness to cope with continual changes in condition and environment.

Methods in which it would seem expedient that we should imitate America are the stimulation and encouragement of originality and invention among workmen, and the appointment of agents to watch the performances of machines when sold. "The American seller will call at intervals to observe his machine at work. . . : If its performances are below its capacity, he will explain what changes ought to be made in handling it. The result is that those who would otherwise be afraid of introducing a new tool . . . find the path off the beaten track made so easy for them that they no longer hesitate to commit themselves to it" (p. 130). "The American is a splendid salesman" (p. 255).

We have not space to describe our author's masterly analysis of the cotton trade; but we wish to suggest that he gives an unduly pessimistic account of our woollen manufacture by omitting the very satisfactory statistics of raw wool consumed. It seems certain, from the analysis of the statistics given in the recent study, "Gain or Loss?" published at Bradford, that the statistics of foreign trade are completely misleading; for £1 worth of woollen

goods exported means an increasing value of manufacture, because of the fall in price of the raw material, while a yard of cloth means a commodity of increasing intrinsic worth.

Whether, on the whole, the book supports an optimistic or pessimistic view of the progress of our industry, is difficult to say. The world's division of labour has changed rapidly since the publication of Lord Brassey's books. Our methods appear to suit our conditions much better than some critics would allow; we have a firm hold on many important industries, though our time of monopoly is passed. No one who wants to form a reasoned opinion on this and similar questions can afford to neglect the well-informed and impartial summary of the facts which Prof. Chapman offers us.

A. L. BOWLEY

NOTES AND MEMORANDA

THE REPORT OF THE TARIFF COMMISSION ON THE IRON AND STEEL TRADES¹

THE present Report deals merely with the iron and steel industries proper: engineering, machinery, shipbuilding, and the hardware, hollowware, and cutlery trades are to be treated in subsequent reports. The whole trade was circularised, and, in addition, certain persons expressed their opinions *viva voce* to the Commission and answered questions. The number of the latter was sixteen; all were supporters in a greater or less degree of the tariff proposals. All but Mr. Jeans (Secretary of the British Iron Trade Association) remained anonymous, and all whose answers to the circulars are given remain anonymous. Only selected responses to the questions have been printed.²

In addition to making direct inquiries the Commissioners attempted to reach the facts by the collection and arrangement of all available statistics. The figures advanced show that in the last quarter of a century the output of pig iron from British works has increased, but by a small amount only (the figures are 6,660, 8,100, 7,760, 7,040, 8,890, in thousands of tons for each of the five-yearly periods between 1876 and 1900, and 7,930, 8,680, 8,810 for each of the three following years), while the output of steel from British works has increased considerably in the same period (from about a million tons in 1876-80, and two million tons in 1881-5, to more than 4½ million tons in 1896-1900, and an average of 4·8 million tons in the next three years). The figures show further that the rate of growth has been greater in France, much greater in Germany, and enormously greater in the United States. Hence the state of affairs in respect of Great Britain is a relative decline but an absolute advance. The ex-

¹ *Report of the Tariff Commission. Vol. I. The Iron and Steel Trades.* London. Published for the Tariff Commission by P. S. King and Son. 1904.

² The witnesses examined are named at paragraph 16.

pression of this relative decline in figures representing percentages of the world's outputs produced by us at different times, we may observe in passing, is liable to induce erroneous ideas. The American consumption of steel has expanded enormously of late years, owing to increase of population, American enterprise, the extensive scope for economic development in the United States, and the extraordinary widening of the range of objects to which steel is applied in that country; in Germany also the growth in consumption has been rapid, though less in degree; and, since Germany and the United States found themselves possessed of natural advantages for carrying on the iron and steel industry some years ago, it is natural that they should have succeeded in satisfying most of their own home demands, which would never have reached their present magnitude but for the provision of cheap home supplies. In Section V. of the Report the causes of our relative decline are examined, and it is in "the organisation and policy of foreign countries, combined with the British policy of free imports," that the explanation is found. This one-sided judgment is most perverse. Every person who is at all well acquainted with recent industrial history knows that the two leading causes of such relative shifting of the centres of the world's iron and steel trades as has taken place are, (1) the discovery in 1878 of the basic process and its subsequent improvement, which rendered suitable for conversion into steel the rich but phosphoric ores of Luxembourg and Lorraine, and (2) the opening up of the Lake Superior ore deposits and the adaptation of transport on the Great Lakes for their removal. In view of such circumstances and of the considerations previously advanced, and further of the fact that the British position had undergone considerable change long before foreign nations began to dump in England appreciably (according to the evidence of statistics and that furnished in the Report), it is difficult to understand how the Tariff Commissioners could have agreed that the relative decline of the British iron and steel industry "is due to the fact that the manufacturers of the United States and Germany, having secured control of their home markets by means of high tariffs and an organised system for the regulation of their export trade, are in a position to dump their surplus products upon the British and other markets, irrespective of cost." It is not denied, of course, that the rapid growth of the iron and steel industry in Germany and the United States has been assisted by tariffs.

The Tariff Commissioners believe that severe depression is being suffered throughout our iron and steel industries: "In the

United Kingdom, while it is impossible to make exact calculations, it is certain that the amount of working capital has considerably diminished, and all the witnesses we have examined maintain that prevailing conditions have caused a general feeling of uneasiness and insecurity, very unfavourable to the building of new works, the reconstruction or extension of old works, and the introduction of modern improvements." If the amount of capital invested has diminished considerably, the productiveness per unit of capital must have advanced considerably, since the outputs have increased. Further, it should be observed that a diminution in the amount of capital employed need not occasion severe depression. The question remains as to whether the diminution has taken place at a greater rate than that at which capital in the industry normally requires renewal: if it has not there is no reason for much depression. Moreover, changes must take place: a stationary state would be depressing in a much worse sense. And the further question arises as to the destination of the displaced capital: its displacement may have meant its removal to a more advantageous position. It is certain that if the metal trades be taken as a whole, there is no sign of decline—the numbers of workpeople over twenty years of age engaged in them advanced from 667,000 in 1881, to 773,000 in 1891, and 1,031,000 in 1901—and it is to the allied trades that we should look first in attempting to explain the growth or decline of a particular trade. Further, assuming that there is considerable depression in the iron and steel trades proper, we must inquire whether it is local or general. This inquiry the Commissioners do not appear to have pursued, but the statement has been made more than once that, on account of our increasing dependence upon foreign ores, there is a tendency for our iron and steel industries to shift to the coast. If such a tendency is operating, depression in the Midlands is comprehensible, and home competition, rather than foreign competition, is the cause. Twenty years ago we used to import no more than one-sixth of the ores reduced by us; now the proportion of imported ore has passed a third and is approaching a half.

The Commissioners attribute to some foreign countries an organised trade policy, which they (the Commissioners) seem to fear must result in our undoing. "These countries have adopted every means in their power to exclude foreign competition, to improve their methods of production, and to secure absolute control of their home market. Having achieved these objects, in recent years their policy has been directed to the capture of the home, foreign, and Colonial trade of the United Kingdom. In

the British home market, their competition, commencing at the lower stages of production, has rapidly advanced, until it is now practically co-extensive with the iron and steel industry. By thus attacking our home market, which is open to them without let or hindrance, they have diminished the competitive power of British manufacturers to push their trade in neutral markets, and they are now threatening our position in British Colonies." The fact of Protection cannot be denied, nor the aspirations of Germans and Americans towards selling abroad, nor the fact that German kartells and railways are encouraging exports; but, such ambitions and encouragements notwithstanding, the growth of exports cannot proceed if the policy of resisting imports be persisted in. The passage above proves too much. Success in the policy of pushing in foreign markets can only mean a diminution of restrictiveness with regard to imports, and therein it is for us a favourable sign.

The Commissioners find "that dumping is of the most wide-spread character, and may, contrary to the view held by many, be profitable to the countries which practise it; that, unless checked, it is likely to remain one of the permanent incidents of trade; that it has already caused serious loss of employment and wages, diminished profits, and brought about a feeling of insecurity throughout the iron and steel industry; and that there are no advantages to the consumers of dumped products, which, in the long run, can compensate for lasting injury to the iron and steel industry." So much has been said of "dumping" in the course of the last twelve months that a lengthy discussion here of its nature and influences would be a work of supererogation. It is sufficient merely to indicate the counter-arguments that have been advanced against the views of those who emphasise its damaging effects on our prosperity. It is not a new feature of trade, though it has become prominent only recently. It need not result in discontinuity of production and unsteady employment in the countries into which goods are "dumped," since the "dumped" goods are not, as a rule, perishable, and are, as a rule, in constant demand. Although there are circumstances under which "dumping" will pay the "dumpers" (but not necessarily the countries "dumping," since home consumers may suffer seriously), the policy in its recent forms has not been sufficiently well tested to enable an unhesitating judgment to be pronounced that it will be applied more widely or even retain its present position. Moreover, there is the positive gain on the part of the consumers of "dumped" steel to be taken into account. No doubt the push

from abroad into our markets has resulted in some dismay and confusion in British industries, as the Tariff Commissioners point out. But these are immediate and short-period effects; it remains to be seen whether any inconvenience will be experienced by our iron and steel industries in the long period, when they have accommodated themselves to the new conditions, if the latter continue. It is certain, moreover, that the magnitude of "dumping" is enormously exaggerated just now in the public mind. Hence the Report is enabled to say, "In the opinion of the manufacturers who have replied to our inquiry forms, dumping during recent years has been the principal cause of loss of orders in the iron and steel trades; and we have been informed of a very large number of instances in which inability to compete with dumping quotations has been followed by short time or the actual closing of departments of the works." This is evidence to be taken into account, but the impressions of the trade as to the causes of depression do not settle the matter: economic causes are not, as a rule, to be easily traced and weighed. It is impossible to discover what proportions of our imports are "dumped," but it will be of interest to consider the present situation on the assumption that all the imports are dumped. In the case of unwrought steel recently, this assumption is probably not very remote from the facts. In the case of pig iron, the heaviest importations were 227,000, 198,000, and 181,000 tons in 1902, 1901, and 1900 respectively; in 1900 and 1901 there were diminutions in home production of 4.9 and 11.6 per cents. respectively (*i.e.*, diminutions of 460,000 tons and 1,030,000 tons), but in 1902, the year of the heaviest importations, home production advanced nearly 10 per cent. As to steel, if we take it that heavy dumping began in 1899, then we find it was coincident with a slightly advancing home production on the whole. The variations in home production, expressed absolutely, and the total imports were:—

	<i>(In Thousand Tons.)</i>				
	1899.	1900.	1901.	1902.	1903.
Variations in home production ...	+289	+46	+3	-50	+180
Total imports	77	179	183	281	274

In the case of steel especially—and it is the steel market which is said to suffer most from "dumping"—statistics do not lend unqualified support to the impressions of the manufacturers from whom information was obtained by the Tariff Commissioners. Further, from the figures below as to the percentages of annual variations in output, a convincing case cannot be made out statistically for the belief that England is placed now at a disadvan-

tage, because, as it is alleged, her output oscillates more than that of her chief rivals. To make the three sets of figures that follow strictly comparable, the normal rates of increase of the industries in the various countries should have been allowed for, the variations from the norm being stated, since the industries are growing at different rates in the several countries. This must be borne in mind when the percentages given are being interpreted.

Pig Iron.

	1898.	1899.	1900.	1901.	1902.	1903.
United Kingdom	- 2.2	+ 9.4	- 4.9	- 11.6	+ 9.5	+ 1.5
United States	+ 22.0	+ 15.7	+ 1.2	+ 15.2	+ 12.2	+ 1.0
Germany	+ 6.2	+ 11.4	+ 4.6	- 7.5	+ 6.7	+ 19.4

Steel.

	1898.	1899.	1900.	1901.	1902.	1903.
United Kingdom	+ 1.8	+ 6.3	+ .9	+ .01	- 1.0	+ 3.7
United States	+ 24.7	+ 19.2	- 4.2	+ 32.2	+ 10.9	—
Germany	+ 12.5	+ 8.8	+ 5.7	- 3.8	+ 21.6	+ 13.7

The effects of "dumping" may have been obscured by the effects of other causes, and the period during which "dumping" has been at all extensively practised may have been too short for an undoubted tendency to appear in figures, but it must be remembered, on the other hand, that every year our industry will be improving its capacity to meet "dumping" without oscillations in output. As to the present state of employment, figures for the last seven years, without the figures for previous periods or those for foreign countries, prove very little. It is true that earlier figures were not obtainable; but Mr. Bowley, in his last book, has given figures of trade unionists out of work, in the metal and shipbuilding industries, since 1887, which are worth noting in this connection, since there is much to be said for taking industries in groups of related businesses, as well as in isolation, in cases like the one under review. Bowley's figures are as follows:—9.4, 6.0, 2.3, 2.2, 4.1, 7.7, 11.4, 11.2, 8.2, 4.2, 4.8, 4.0, 2.4, 2.6, 3.8, 5.5. The first figure is for 1887; the other figures apply to succeeding years up to 1902.

In order to check "dumping," the Commissioners suggest *ad valorem* import duties of 5 per cent. on pig iron, $6\frac{1}{2}$ per cent. on steel bar, billets, rods, &c., and higher rates up to 10 per cent. on other forms of steel. But if the Commissioners' analysis of the causes of much "dumping" is correct, it is extremely doubtful whether these rates would be efficacious. It is by no means inconceivable that they might stop, in an appreci-

able degree, all imports except "dumped" imports, as witness, for instance, the following figures, given in the memorandum on the organisation and working of German kartells in this report :—

	<i>(In Marks per Ton.)</i>	
	Home price.	Export price.
Iron sheets	140-145	100-120
Rolled wire	150	135
Girders	112	75

In the face of such existing differences another 5 or 10 per cent. would probably have little effect.

The Tariff Commissioners, when they attempt to explain the movements of the last quarter of a century, do not seem to the writer to have taken sufficient account of existing influences in respect of comparative industrial efficiencies. Owing to the relative rates of growth of the industry in different countries, American and German works should be more up-to-date, on the whole, than British works. Moreover, the personal efficiency of German and American organisers in the iron and steel industry ought to be abnormally high just now, as a reflex of the rapid development of the industries under their control. Comparative efficiencies cannot be discussed here, but to understand fully the present state of affairs we must realise how they stand. It might be added, however, that in view of all the surrounding circumstances, the costs of transport, the temporary character of most of such slight advantages as our rivals may possess, and the lines along which foreign exchanges must lie, no disastrous decline of our industry need be apprehended, unless we court decline by protecting it. Foreign competition appears to be about sufficiently effective to stimulate our industrial life and to prevent that more serious decline, namely, a decline in personal efficiency. Indeed, there are not wanting authorities who contend that the English industry, with its more elastic character and freer internal competition, enjoys a sturdier constitution than the industries abroad.

Among the conclusions of the Tariff Commissioners, the following appear :—“That our export trade to foreign countries has diminished, while that to the Colonies has increased. That, although our trade with the Colonies has increased, the Colonial market is increasing much more rapidly, and that foreign countries are securing a growing proportion of this Colonial trade.” In support of the first of these conclusions the averages of 1893-7 and 1898-1902 and the figures of 1903 are contrasted, with regard to exports of iron and steel and manufactures thereof. Taking

the two periods for which averages are given—obviously the single year must not be compared with these—we find that the foreign market, which has increased 8·3 per cent., is still more than twice as important to us (according to tonnage of goods taken) as the Colonial market, which has increased 12 per cent.¹ However, most people will be prepared to find Colonial markets growing rapidly in the future, because of the undeveloped state of large tracts of our Colonies. The Commissioners point out, further, that the trade of foreign countries with the Colonies is growing faster than our trade with the Colonies. Figures are given for the last six years : they are stated below, the figures relating to Canadian trade being omitted :—

Imports of Iron and Steel into various Countries from the United Kingdom, the United States, and Germany, in thousand £.

Year.	United Kingdom.	United States.	Germany.	Total from all countries.
1896	7,966	313	325	10,218
1897	7,770	456	377	10,281
1898	7,351	593	328	9,401
1899	7,297	1,105	356	10,386
1900	8,787	1,031	469	12,117
1901	9,498	1,349	508	12,961

The ratio of our exports to those of our rivals, taken separately and together, some years ago, was such that the statement of the conditions over the last six years in comparative rates of increase is liable to create a false impression. I have reserved Canada for separate inspection, since her position, contiguous to the highly efficient iron and steel industry of the United States, with the connection by way of the Lakes, is obviously exceptional. A comparison, in respect of Canada, of our trade with that of the United States should occasion little surprise under the circumstances.

Imports (in thousand £) of Iron and Steel into Canada, with principal Countries of Origin (dollars converted at \$5 = £1).

Year.	United Kingdom.	United States.	Germany.	Total from all countries.
1896-7	564	754	21	1,343
1897-8	542	1,529	60	2,141
1898-9	535	1,667	18	2,230
1899-1900	1,202	2,468	46	3,746
1900-1	737	2,241	49	3,060
1901-2	1,349	2,181	327	3,918

¹ How the two trades compare, in respect of the degree of manufacture involved in the goods finding place in each, the Commissioners have not estimated, but they point out that if pig iron be excluded, foreign markets have grown 2·7 per cent. and Colonial markets 12·5 per cent. I doubt whether the period of ten years is sufficiently lengthy for us to discover from it the large movements of trade.

Between the findings of the Tariff Commissioners upon the comparative state of the British iron and steel industry and their suggested remedies there lies a chasm which they do not try to bridge. To many convinced Protectionists there is a logical connection between the two, but no such logical connection exists in the minds of Free Traders and certain others who would admit Protection under many circumstances which the Free Trader would not regard as necessitating Protection. Many will be found to argue that, taking the results of the analysis of present conditions by the Tariff Commissioners as correct, a heavy balance of loss, in which the Colonies would share, would be the result of imposing the suggested tariffs.

S. J. CHAPMAN.

THE FINANCIAL SITUATION IN RUSSIA

POLITICAL dissensions between one nation and another are unfortunately liable to be attended by a lack of clearness of vision, and are apt to foster unjust prejudices concerning matters of fact. Twenty-eight years ago the present writer was drawn into a controversy with some English journalists in connection with the question of Russian solvency. It was on the eve of the war against Turkey for the enfranchisement of Bulgaria. As the result of a conservative policy, M. de Reutern had succeeded in restoring financial soundness, which had been shaken by the Crimean War, and in throwing a network of railways over the country, but had not been able to attack the monetary evil—that of the paper money.

When the war broke out in 1877 it found Russia with a cash reserve of only 180,000,000 roubles, against which there were to be issued 450,000,000 roubles of paper money (temporary credit notes) constituting a Government debt to the Bank of Russia, bearing no interest. Under very onerous conditions the Government raised internal loans of 800,000,000 roubles, and one foreign loan of 15,000,000 pounds sterling in Paris and Berlin, all at 5 per cent.

The temporary credit notes disappeared many years ago. Five per cent. bonds have been converted into 4 per cents., that is, 3·80 per cent. net for all internal loans subject to income-tax.

And, instead of a reserve of 180,000,000 roubles, guaranteeing nearly 1,200,000,000 roubles of bank notes, we find a credit reserve in gold of gigantic amount, exceeding the united reserves of the Banks of England, Germany, and Italy. The interest on the national debt and its redemption, far from occupying the large proportion of the Budget obtaining twenty years ago, amounted in 1897 only to 19·60, in 1901 only to 16·61, in 1903 only to 15 per cent.

After the war with Turkey, that is to say, from 1880 onward, it was necessary to liquidate the cost of the war, re-equip military stores, and set on foot fiscal reforms, in the midst of deficits and deficient crops. During his brief ministry M. Abasa paved the way for withdrawing the paper circulation issued during the war, and had the courage to abolish the salt tax. M. Bunge removed the poll tax, lightened the burdens of the peasants, created the income-tax on movable property (except on such loans as were guaranteed exempt), and improved the organisation of the Budget. M. Wischnegradski began his great conversions of the national debt, and fostered the formation of a gold reserve, so indispensable to monetary reform and to the resumption of specie payment. M. Witte, in the eleven years of his ministry, completed the work of conversion, carried out the reform of the coinage, endowed the State with a monopoly in the sale of alcohol, organised the State railways—which to-day include two-thirds of the Russian railroads—supplied the means for constructing the Trans-Siberian line, and, thanks to the system of setting aside a reserve against times of emergency, put his successors in a position to offer Russia as a send-off, on the day when the Japanese took the offensive, 310,000,000 roubles.

I have brought forward this collection of historical facts in the conviction that, in order to a sound judgment on the finances of any country, it is necessary to know the antecedents of any given situation. There is no field in which the nexus of facts is a surer guide and in which the general situation is more faithfully reflected than that of the data revealed by the national Budget.

During the twenty-seven or twenty-eight years which I have been considering, how many prophecies of the inevitable bankruptcy of Russia have events proved false! Bears on the Stock Exchange in 1877-78, officious German newspapers in 1887, City journals time and again, have vented their spleen without result. The bases of the national finance of Russia have been broadened, and our creditors can rest assured. We could double the annual amount of the annuity for the public debt before touching the

limit deemed to be dangerous for a State's creditors, such as may be held to come between 33 and 40 per cent. of the annual Budget. Not with a light heart has Russia gone to war, but, once having let herself go, she regards herself as the champion for continental Europe; and hers, too, is the firm and implacable determination of going on to the uttermost.

“Russia, up to the very moment of rupture, was working imperturbably at the progressive consolidation of her finances. Even in years of industrial crises and defective harvest her foreign trade showed an excess of exports over imports more than sufficient to compensate payments sent abroad. And, as guarantee of her monetary system, she has succeeded in amassing and maintaining a vast reserve of gold.” Such are the terms in which M. Helfferich, Professor at the University of Berlin, and one of the best pupils of Ludwig Bamberger, appraises our financial position.

It would be easy to adduce analogous opinions from well-known French authorities to corroborate the estimate pronounced by Professor Helfferich; for example, that of M. Paul Leroy Beau-
lieu, editor of *L'Économiste français*.¹

Sound finance is not a thing that may be improvised. It is the work of constant and sustained effort. Such has been the work especially of men like Bunge, Wischnegradski, and Witte, thanks to whom the present Minister of Finance has been able to cope with the formidable demands of the war against Japan.

Before giving any figures relating to the Budget for the present year and to the war, I must point out that from 1893 to 1902 the sum of the ordinary revenue had been 15,116,000,000 roubles, the expenditure 13,544,000,000 roubles, leaving an aggregate surplus of 1,572,000,000. Thanks to this surplus we have been able to cover over half of our extraordinary expenses. These have absorbed 2,609,000,000, from which were taken the amounts required for the sinking fund to repay the public debt to the Bank of Russia, for the relief fund devoted to districts affected by agrarian distress, to advances made to railway companies, and to the Boxer war. Since 1894, when the objects to be put into the extraordinary Budget were defined by a new Act, many expenses included under this head by other nations have also been incorporated with the ordinary Budget by us, e.g. army and navy supplies, and maintenance of railway rolling stock. From 1891

¹ See the *Marine Rundschau* for October, 1904, Karl Helfferich, wirklicher Legationsrath: “Die finanzielle Seite des russisch-japanischen Krieges,” or the French translation published at Guillaumin's.

to 1904 Russia has, thanks to her surplus on the ordinary Budget, constructed 9,375 miles of railroads, thus heightening the Imperial value of Siberia and Central Asia. And it is the ordinary Budget which has covered the expenses of putting into execution the liquor reform (the monopoly of the sale of brandy),

The State purchase of railways, with the issue of State bonds in place of the shares of private companies, the conversions, and the redemption of the debt arising from fiduciary circulation, have brought about a profound alteration in the components of the Russian national debt. Through these transactions (railway purchase, resumption of specie payment, and increase of nominal capital of converted loans), the total has risen from 4,992,000,000 roubles in 1889 to 6,643,000,000 in 1903. On the other hand, railway capital, which in 1889 was 1,363,000,000 roubles, in 1903 amounted to 3,629,000,000. Hence, properly speaking, the debt has been reduced from 3,629,000,000 to 3,444,000,000.

The following comparison is also instructive :—

	1892.	1902.
	(In millions of roubles.)	
Nominal amount of interest-bearing debt	4,731	6,479
Debt bearing no interest (paper money)	637	—
	<hr/> 5,368	<hr/> 6,479

Against these figures we must place the Government assets :—

Railways.....	950	3,551
Capital owed to the State by railway companies	984	563
Advance by the State on account of interest guaranteed to railway companies	118	—
Advances having no connection with railways.....	309	500
	<hr/> 2,361	<hr/> 4,614

In the assets no inclusion has been made of State forests, the produce of which is increasing, nor of factories or foundries, nor of the capitalisation of the redeemable peasant annuities.

The interest on the national debt was covered, in 1903, as far as two-thirds by resources which were not yielded by taxation, but by the net profit from railways, deposits from railway companies, net profits from Government loans.

For 1904 the ordinary revenue was estimated at 1,980,100,000 roubles, the ordinary expenditure at 1,966,500,000, giving a surplus of 13,600,000. The revenue in the extraordinary Budget was 198,600,000 (of which 195,800,000 were to be taken from

Treasury funds), and the expenditure 212,200,000. The surplus on the ordinary Budget covered the difference. It has been a rule with Russian Ministers to maintain the disposable Treasury funds at a considerable minimum, using for this the surplus on the ordinary Budget, which, between 1893 and 1902, have realised an average of 150,000,000 roubles a year, and also produce of loans.¹

Among the extraordinary expenses were 125,000,000 roubles spent on railway works and 63,000,000 more on loans to companies. In the ordinary Budget the Crown dues (including the alcohol monopoly) were reckoned at 590,000,000, and the produce of the State domains, including railways, at 560,000,000. Thus more than one-half of the ordinary revenue is derived from sources other than taxation. This leaves 135,000,000 for direct taxation, 421,000,000 for indirect taxation (customs, tobacco, sugar, excise on petroleum), and 103,000,000 for rights and dues (including stamps).

Following Professor Karl Helfferich, I give the summing up of the Russian Budget in millions of roubles, as under :—

	Revenue.	Expenditure.	Deficit.	Surplus.
1883	700·4	723·6	23·2	—
1887	820·4	892	21·6	—
1888	873·6	837	—	36·6
1892	964·7	952·6	—	12·1
1897	1416·7	1229	—	187·7
1902	1905·4	1665·4	—	250
1903	2032·5	1722·9	—	309·6

From 1883 to 1903 expenditure increased 250 per cent., and ordinary revenue 300 per cent. This increase is largely due to the inclusion in the Budget of monopoly expenses, of State railway expenses, and to enlarged army and navy supplies. Expenditure in connection with the debt has gone up very little, thanks to the conversions. The following shows the percentages in the total expenditure of ordinary expenses in 1897 and 1901 :—

	1897.	1901.
National Debt	19·60	16·61
Army and Navy	28·16	25·69
Finance	15·20	18·52
Agriculture	2·50	2·47
Education	1·99	2·01
Transport	19·67	23·34
Remainder	7·88	11·36

¹ According to M. Kergall's *not*, Russia, a poor country, needs a rich Budget, *i.e.*, amply based and furnished with-reserves.

One of the most useful works in Russia, of which she retains the entire profits, has been that of monetary reform. This is shown by the appended table (in millions of roubles) :—

	Credit notes issued and in circulation.	Gold reserve in Bank and Treasury.	Gold circulation in Russia.
1881	1133·5	170	—
1887	1046·	211	—
1892	1100	905	—
1898	905	1328	149
1900	552	807	684
1903	584	1058	787

The right of the Bank of Russia to issue notes is regulated with a view to the maintenance of the gold standard. So long as the value of the bank notes in circulation does not exceed 600,000,000 roubles, the gold reserve should not be less than one-half the sum represented by the notes issued. Above 600,000,000 the notes ought to be covered by gold, rouble by rouble.¹

Finally, to show the bases of Russian finance, I give some data on the foreign commerce of the Empire.

	Imports.	Exports.	Excess of Exports.
	(In millions of roubles.)		
1885	435·3	538·6	103·3
1895	489·4	591	201·6
1901	533	730	197
1902	527	825	298
1903	601	949	348

From these figures the conclusion may be drawn that Russia has sufficient economic strength to maintain her finances and her money in a normal and regular condition.²

To cope with the demand created by the war, Russia has reduced her expenditure, both ordinary and extraordinary, by 134½ million roubles, 54 millions of which are withdrawn from the construction of new railways. Through these retrenchments she has raised her disposable balance to 266,000,000. Various accretions had already enlarged it so much—notably the *plus* values in the early part of 1904—that the total disposable funds almost attain the figure of 310,000,000.

¹ Between the 1st and 14th September, 1904, the Bank of Russia had enough gold to cover all the notes issued and all public credit accounts.

² When the Japanese judged it the right moment to begin the war, Russia was, financially and economically, in a better position than she had ever been. There was more gold than paper in circulation. Two good harvests, 1902 and 1903, had brought about an excess of exports of 640 millions. The railways of the State, the alcohol monopoly, had yielded considerable sums. The funds at the disposal of the Treasury had attained the highest figure ever reached.

Besides this, Russia has raised most successfully a loan in Paris of 300,000,000 roubles in Treasury-bonds at 5 per cent. for five years, which the continental investors have accepted at 99 per cent. A loan has also been negotiated in Russia of 150,000,000 roubles of Treasury-bonds at 3·60 per cent. for five years. The capital of the national debt has increased 4 per cent. The resources provided by the two loans were collected in a spirit of precaution against future emergencies.

There has been no question of falling back into the course taken in 1877-78, and making shift with the handy method of a fiduciary issue. It has not been held desirable to cope with extraordinary expenditure by the sole weapon of the normal elasticity of a paper circulation. Prudence has made it a duty not to risk the safety of a monetary system, organised with so much labour, and on which depends the economic and financial well-being of the country.

In this connection the following figures are instructive :—

	Gold abroad.	Bills on foreign countries. (In millions of roubles.)	Gold at the Bank.	Notes in circulation.
January	166	8·2	793	578
February	175	2·7	745·7	598
March	133	3·1	762·7	628
April	74	7	771·5	634
May	40	6·7	803·4	648
June	91	4·6	821·9	665
July	99	1·8	838·8	689
August	84	1·8	863·5	695

The stock of gold has increased concurrently with the fiduciary circulation.¹

On August 1st, 1904, the Bank of Russia could have circulated, over and above this, 553,000,000 roubles in credit notes, in accordance with its charter. It is evident that the Government has well husbanded this withheld reserve.

What are the expenses of the war? Up to August 16th the sources of credit open to all the departments of the Government for the purpose of the war had risen to 257½ million roubles for more than six months and a half.²

According to the *Bulletin de Statistique Russe*, the cost of the war will amount to 500,000,000 at least, and to 600 at most, for the current year. And, probably, thanks to the surplus in the

¹ The Treasury, besides the Bank reserve and sums owed to it abroad, held in September 272,000,000 in gold or in foreign securities.

² According to the official announcement of April 5th to 18th.

ordinary Budget, the net deficit will amount to no more than 450,000,000 roubles. This is a long way from the milliards on which Russia's enemies are counting.

War is a cruel test for any nation, but Russia has a constitution capable of surviving that into which Japan has rushed her. While soldiers and officers are shedding their blood for their country, Russia labours and brings forth accumulating treasures to repair the harm wrought by a distant war. Russia has conquered distance, and the railroad which unites the heart of the Empire to the shores of the Pacific, and is a monument to her energy and her daring, has rendered the greatest services, whatever the habitual detractors of Russia's economic progress may say. From the financial point of view, from the point of view of means of transport, the war has not taken Russia unawares. She was excellently prepared, and, through the superiority of her financial machinery, she can calmly contemplate the prolongation of the campaign.

ARTHUR RAFFALOVICH.

NOTE.—The stability of the Russian Exchange is a proof that the monetary reform is a sound piece of work. The absence of fluctuation in Russian bonds proves that there has been little selling out among bondholders. Russian bonds rank exceedingly well in France, Holland, Belgium, and in Russia itself. Russian credit is unimpaired.

In 1903, the alcohol monopoly (sale by the State) has yielded 541 million roubles, the expenses have been 153 millions, the net produce 388 millions. There were 28,247 shops against 28,418 in 1902. The State receives 112 million roubles more since the introduction of the monopoly.

RECENT OFFICIAL PAPERS

Report of the Interdepartmental Committee on Physical Deterioration. Vol. I. Report and Appendix. . . . [C^d. 2,175.]

THERE is no statistical evidence of variation in the national physique; but the Committee are able to diagnose and prescribe for certain kinds of deterioration. Among the Appendices are a memorandum by Miss A. M. Anderson on employment of mothers in factories and workshops, and infant mortality statistics for urban and rural counties.

J. F. W. TATHAM

Report to the Board of Trade on Agencies and Methods for dealing with the Unemployed in certain Foreign Countries. By MR. D. F. SCHLOSS. . . . [C^d. 2,304.]

LABOUR colonies, labour registries, and the novel method of insurance against unemployment are among the interesting topics.

The Bulletin of the Bureau of Labor (Washington) for July compares the increase of wages during recent years with the almost equivalent increase in the cost of living. Food is dealt with by an index-number, based on retail prices, and weighted according to family budgets.

The Rapport au Ministre des Finances (Paris: Imprimerie Nationale) contains the statistics of the monetary census, referred to in the last number of the *ECONOMIC JOURNAL* (p. 495).

LABOUR NOTES

SAVE in the case of municipal employees, those favourably placed wage-earners with rates instead of the profits of industry to provide the funds by which they are maintained, the general trend of wages is still downwards. Not many changes are, however, recorded, the most notable being the decrease, general over almost the whole of the British coal-fields, in the wages of miners. It is noteworthy that out of a total of about 640,000 workpeople reported upon by the Labour Department as having been affected by the changes that have taken place during the first ten months of the year—all of them, with the small exception above mentioned, decreases—nearly five-sixths were working in or about coal-mines.

DURING the last three months the federated coal-mining areas have gone through an anxious time, pending the settlement of difficulties that arose in the Scottish field, in which notices handed in by the owners were considered to threaten the principle of the minimum wage. A special conference of the delegates of the Miners' Federation was convened at Southport, at the beginning of September, to consider the question; and, as the result of prolonged deliberations, in the spirit of compromise and in the in-

terests of peace, an influential and representative deputation was appointed to wait upon the Scotch owners.

FURTHER negotiations followed, resulting in an arrangement in accordance with which, while the principle of the minimum is retained, the scale of wage variation, accepted as the basis of the special decisions of the joint committee, that will still be necessary, as to whether advances or reductions are expedient, is somewhat altered, the effect being that when the ascertained prices of coal at the pit-mouth are high, the miners will reap some advantage; and when, as at present, they are low, the owners will benefit. Thus the strain of the wages charge which was imposed by the old scale when trade conditions were unfavourable, and which led to the recent difficulty, has been somewhat eased.

AN interesting and, perhaps, an important accompaniment of the recent arrangement has been the appointment of a committee, consisting of five coal-owners and five miners' representatives, "for the purpose of considering and advising as to what course should be taken to regulate the output of coal in accordance with the demand." Like other British coal-fields, those north of the Tweed are very far from being protected by any ring-fence, and the control of prices, and thus of profits and wages, by any artificial regulation of supply, will be a difficult matter upon which to advise. But the reference to the committee is the natural outcome of the acceptance of the principle of a minimum that is intended to be irreducible. The question of a minimum wage has been again occupying the prolonged attention of the Council of the Northumberland Miners' Association, and its representatives have been instructed to bring proposals thereon before the next meeting of the local Conciliation Board.

By a bare majority, only secured on a second division, of the delegates at the Annual Meeting of the Amalgamated Society of Railway Servants, the question that has been so greatly canvassed during the last few months has been settled in favour of their Parliamentary representative. By the terms of the resolution carried, while it is admitted that some of Mr. Bell's actions "may have been indiscreet," his past policy has been approved and his future candidature, in the absence of possibly intervening resolu-

tions of the controlling body, is to be allowed, so far as the Railway Servants are concerned, to stand on the same conditions as before. He is thus under no obligation to sign the present constitution of the Labour Representation Committee, which is regarded, in the terms of the resolution, as "too stringent," and, while the A.S.R.S. does not sever its connection with that body, it has formulated a request for the modification of its rules as to the conditions to be imposed upon its accredited candidates.

THE direction of the curve of the unemployment chart of the *Labour Gazette* for the three months ending October 31st has closely followed that of the same period for 1903, save that the numbers returned as unemployed have been about one per cent. in excess, the figure standing at 6·8 per cent. at the end of last October, as compared with 5·8 per cent. a year before. The most favourable feature of returns that are still, for the most part, unsatisfactory, refer to the cotton trade, in which, with lower prices and with a "visible supply" exceeding that of last autumn by nearly fifty per cent., full time is now in most districts almost the general rule. In cotton-spinning the percentage working full time, according to a table published in the *Labour Gazette* for last November, has increased from 74·5 per cent. in October, 1903, to 95·7 per cent. in October, 1904. In weaving the improvement is still more marked, the corresponding increase having been from 69·6 per cent. to 95·8 per cent. A sign of the admirable organisation that has been characteristic of the greater part of this trade during the critical past year, and of the equal sharing of the difficulties that it has brought, is seen in the fact that during October, 1903, when more than a quarter of the employees in the spinning branches of the trade were working on short time, only three per cent. of the total number of spindles were idle.

In the woollen trade conditions are also generally satisfactory. Orders from the Far East for Army equipment had an appreciable effect upon some districts, especially that of Dewsbury.

ALTHOUGH a considerable improvement in the labour conditions of many North-country towns is reflected in the above facts, although elsewhere, as in South Wales, there are welcome signs of an approaching revival of trade, and although the tone of "the

City" is confident, both in the North and in many other parts of the country, including London, a more than average amount of unemployment is reported, and the complex class of "the unemployed" is thus attracting much attention.

AN indication of this is seen in the memorial addressed to the Prime Minister by the Labour members of the House of Commons, asking for an autumn Session for the consideration of the question, and in the markedly conciliatory and sympathetic tone in which Mr. Balfour couched his message of refusal.

THE attitude of the Government is further reflected in the action that has been taken by the President of the Local Government Board, and perhaps the most important practical, as well as political, step that is being taken in the matter at the present time is in consequence of the definite proposals which have been made by Mr. Long. The gist of his recommendations, so far as London is concerned, is that, in addition to a central advisory committee, special joint committees should be formed in each Borough or Poor Law Union, and that on these committees representatives of the Poor Law Guardians, of the Borough Councils, and of local "charitable and parochial associations" should sit. The scheme, which in London, in any case so far as the initial stages of organisation and endorsement are concerned, is being very generally acted upon, is considered by Mr. Long to be applicable to the whole of the country.

SYNCHRONISING rather significantly with these proposals has been the resolution passed by the Council of the Association of Municipal Corporations, with Sir J. T. Woodhouse, M.P., in the chair, affirming the willingness of the municipal councils "to expedite all proper and necessary undertakings" for the employment of those out of work in their respective districts, but adding that, since such employment "will only affect a small fraction of the unemployed," it is necessary to call upon the Government "to take up the unemployed question as a national one, and one that should be dealt with without delay."

FURTHER, the Mansion House Committee on the Unemployed has reported carefully upon its work of last winter; the Charity Organisation Society has reported more generally, through its committee appointed for the purpose, "on the measures adopted in London, in the winter of 1903-4, for the relief of the unemployed and for meeting unusual distress"; and finally, the Labour Department of the Board of Trade has published a valuable report, through Mr. Schloss, in continuation of the final section of that issued in 1893, on the methods adopted in foreign countries in dealing with this question.

IN the light of comparative and of past experience, especially so far as this country is concerned, of the dangers of hasty action, be it by voluntary agencies suddenly created, or by administrative bodies that suddenly assume new duties, and in the growing sense of the supreme need of classification alike as regards the cause of unemployment and class of unemployed, it is not too much to hope that good will come from the wide endorsement, at the present time, of the opinion that "something must be done."

PERHAPS the chief danger that has to be avoided is lest the machinery that appears to be in process of formation becomes too conspicuous in the eyes of the community, and lest the difficulty of combining requisite permanency and co-ordination, without increasing the number of those who will be tempted to rely upon this machinery, be not surmounted. For as the help given, whatever form it take, is appropriate to those who need it, so does the need of classification increase. But, just as the help given becomes really appropriate to those who belong to the genuine unemployed—that is, to those who in normal times are fairly regular wage-earners—so does the danger increase of creating a resource that will be more and more relied upon; for the help that is really "appropriate" to such men must yield something that stands in a reasonable ratio to the expense of maintaining their home standard.

AND the danger which has been indicated does not apply solely to wage-earners. It may come to have equally serious force in connection with employers. For instance, although it is well known that in slack times employers discharge first those

whose services they least value, it is equally true that in many trades work is often "made" in the interests of the existing staff when orders run short. If, therefore, on a recommendation or reference, such as those used by the Mansion House Committee last winter, employers came to feel that they could ensure work and unemployed relief for men that they could keep on but did not really require, a machinery created for beneficent purposes, and one which, in its moral effect upon the public mind, might have value, might nevertheless in reality work in the direction of industrial disintegration. It would certainly do this if it weakened in any way, instead of strengthened, the bonds that bind employers and employed together—the strengthening of which is perhaps one of the greatest industrial needs of the present time. An unemployed committee requires, indeed, some test of the normal industrial adhesiveness of the individual applicant, and, quite apart from the latent risk of weakening friendly and provident organisations, the most serious risk incurred by committees appointed to deal with the unemployed on a large scale, with authority behind them, and perhaps considerable funds to spend, is this of weakening the connection that binds men, and should bind them, to the normal relations of industrial life. At any given moment, difficult though it always is to measure the unemployed, the problem is comparatively inelastic. Make the machinery for dealing with the problem permanent, and also prominent, and the need will at once become imperative of avoiding the multiplication of the very class that it is desired in the moral and economic interests of the community to eliminate.

THIS danger will, it is happily true, diminish as, on the one hand, the sense of responsibility felt by the employing classes deepens, and, on the other, as the general standard, social and industrial, of the "lower" rank and file of labour rises; and no generalisation, for instance, from the experiences of the French workshops of 1848, can be validly made without taking into account the advances in social insight that have been made during the last half-century. But there is, nevertheless, little or no evidence to show that large provision of employment, unless most carefully safeguarded, would not now, as then, be followed by large abuse, and end in reaction and disaster.

ERNEST AVES

. CITY NOTES

The Business Outlook.—The economic situation at the present moment is altogether confused. There is a certain amount of trade depression. The unemployed have increased all through the present year, as compared with the corresponding period of last year. In the Trades Union Returns received at the Board of Trade the percentage of unemployed is now about 6 per cent., as compared with 5 per cent. last year. Pauperism, especially in the metropolis, has likewise increased. But the stock markets, after being depressed early in the year, have been exhibiting more cheerfulness; a "boom" has been running in the United States since the election of President Roosevelt, and the accounts of the cotton and other crops there are most promising; there is likewise a better appearance in South Africa, where the production of gold has at length recovered to the ante-war level; trade in Western Europe, especially in Germany, is also benefiting by purchases of munitions of war for Russia, and the outlook, generally, cannot be regarded as wanting in elements of hope. Corresponding with the latter symptoms, also, we find the money-market in the late autumn hardening, with the possibility of a rise in the Bank rate from 3 per cent., to which it fell in April last. It would be hazardous, however, to say whether business is now going from bad; or rather, unfavourable, to worse; or from worse to better. An uncertain tone prevails, and on the whole we should rather look forward to a continuance of the present uncertainties, with the risk of their being aggravated at any moment, than to the development of a great boom, such as American speculators seem to promise. The time for a great boom has not yet come, because the bad business of the former booms has not yet been fully liquidated.

The War Uncertainties.—Apparently, also, the apprehensions excited by the war have a great deal to do with the depression, and these have been greatly stimulated by what is called the North Sea outrage, which brought Great Britain and Russia to the brink of war. The paralysing effect of the Russo-Japanese war seems to increase as the months pass on, as light is brought to bear on the alarming character of the various possibilities involved. The situation continues full of danger; and the City, it is safe to say, will not be reassured till the war is finished. There

could not be a greater check to business, and it is this uncomfortable feeling at bottom which aggravates the momentary danger of such incidents as the North Sea outrage. All the elements of an explosion are prepared, and long distant commitments are avoided by great capitalists and business leaders.

The Proportion of the Depression.—It must be pointed out, however, that the depression is being spoken of, as such depressions often are, in language of entirely unjustifiable gloom. The margin of unemployed, even now, when so much is said, is not really large, but small. In Trades Unions at the best of times the list of unemployed seldom goes much below 4 per cent., and includes, undoubtedly, numbers who are really invalids, or too old for full work, who are not worth the fixed minimum wage of the Unions, but, for reasons of policy, are not permitted to work for less. The difference between 4 and 6 per cent., which is all that can be ascribed to trade depression, is thus not so very large. The Trades Unions, moreover, represent the variable employments; the engineering and like trades, and there is no reason to suppose the out-of-works in less variable employments—domestic service, railway service, post-office service, and others—ever reach the proportion that they do in Trades Union business. The evil is thus one which can be, and ought to be, tackled with vigour and earnestness, and not with the hysterical emotion so prevalent, which is answerable for no little aggravation of the mischief.

The Money Market.—An advance of the Bank rate above 3 per cent. was very generally expected in November, and may come before long. Improvement in business in any direction will bring the change about, and equally so would any failure of credit, such as we may always consider within the range of possibility, when sudden alarms may arise at any moment. As it was, the North Sea outrage very nearly precipitated a panic. Apart from panic, an advance in the Bank rate from the low level of last summer has probably been too long delayed. With two such borrowers as Russia and Japan in the field, and with the large expenditures of other great governments going on, it is all but certain that a higher Bank rate than 3 per cent. will rule in 1905.

R. G.

CURRENT TOPICS

THE correspondence published in recent issues of *The Times* (October 12th, October 15th, October 25th), respecting the pressure of rent on the incomes of the wage-earners in the great towns of Germany, brings into view both the magnitude of the burden and the difficulty of measuring that burden exactly so as to effect a comparison with corresponding conditions in England.

ONE caution required in dealing with summary statements respecting the proportion of income paid in rent is derived from the well-known principle that an average based on a whole class is consistent with wide deviations in the case of particular subclasses. This sort of deviation or dispersion is well illustrated by some statistics which are *in pari materia* with the matter in hand. The average percentage of salary which was, in 1902, expended on rent by the official class (*Beamten*) in Bavaria was little more than 19 per cent. But the deviations from this average extended in the upward direction beyond 40 per cent. Here are the figures for the class of *nicht pragmatischen Beamten*, cited from an official document by Professor L. Brentano in his recent remarkable lecture on *Wohnungs-Zu-stände und Wohnungs Reform in München* (published by E. Reinhardt, Munich, 1904).

Per cent. of salary.	Number of cases.
20—25	4,538
25—30	2,174.
30—35	911
35—40	348
above 40	209

The smaller numbers of the *pragmatischen Beamten* (the higher class of functionaries in the Bavarian Civil Service) present a similar distribution. (It may be noticed that the income on which these percentages are calculated is exclusive of payment made by lodgers; the payment made by a lodger is deducted from the rent, and the net rent thus determined is compared with the salary.) The possibility of similar deviations in excess must be borne in mind when we consider averages relating to the expenditure on rent of a class below the *Beamten*. Such is the average presented in the *Statistisches Jahrbuch der Stadt Berlin*

(No. 28 containing the statistics for the year 1903). At page 201, under the heading "Budgets of Families with Small Means" (*Haushaltrechnungen der minderbemittelten Klassen*), the expenditure of 908 households under several heads—21 different genera of articles—is tabulated. From this solid mass of statistics is extracted the weighty result that the mean percentage of family income expended in rent is at least 16 per cent. We may refer also to the averages cited by Professor Pohle at the recent *Wohnungs-Kongress* held at Frankfort. The percentages of expenditure on rent to income were in Leipsic as follow :—

Incomes in marks up to	1885.	1900.
1,100	23·01	23·00
1,100— 2,200	20·64	19·02
2,200— 4,300	20·03	19·36
4,300— 8,300	16·87	15·70
8,300—16,000	12·46	11·64
16,000—26,000	9·87	8·43
above 26,000	5·13	4·42

(The amelioration in the condition of the working-classes which Professor Pohle, an ardent Protectionist, found in the figures for 1900, compared with those of 1885, is not very conspicuous.) Observing that the proportion of rent to income increases as the income diminishes, it seems a fair inference that, if we could break up the class under 1,100 marks into sub-classes, the proportion of rent to income would be much greater for the least fortunate classes. The phenomenon of dispersion is further illustrated by some family Budgets relating to saving, which have been published by the Statistical Bureau of Dresden (13 *Heft der Mittheilungen*; also printed in *Sociale Praxis* for November 24th, 1904). Out of 87 households, 59 had only one heatable room; for which, on an average, 21 per cent. of income was paid. There were 29 who paid between 20 and 25 per cent., 8 that paid from 25 to 30 per cent., 8 from 30 to 35, 2 from 35 to 40, one paid 41 per cent., one 48 per cent., one 68 per cent. of income.

THE burden borne by the poorer classes may be estimated less roughly by means of the amount of rent paid for house-habitation of the humblest kind. As stated by Professor Brentano in the lecture to which we have referred, according to information received by him from the secretary of the Organised Working-men, Munich, a family which enjoys only a single room with

a cooking-stove (*Kochofen*) pays in rent from 120 to 168 marks; for a two-chambered habitation the rent is from 190 to 264 marks. But there are thousands in Munich who have not an income of 800 marks, very many who have not even an income of 500 marks. It follows that the least favoured class in the dearest part of the town must pay above 30 per cent. of their income for the minimum of accommodation; for a higher, though still not very high, degree of accommodation they would have to pay above 50 per cent. of their income. A similar conclusion is deducible from the official statistics for Berlin. It appears from a publication of this year (*Berliner Statistik*, 2 Hef, *Grundstück und Wohnungs aufnahme in Jahre 1900*) that the rent for a single heatable room in Berlin was, in 1900, 231 (or 232) marks (Cf. *Berliner Jahrbuch*, No. 28, p. 137). But from the *Berliner Jahrbuch* already cited we find (p. 444) that the number of persons—"physical" persons, as distinguished from juristic entities—in Berlin assessed as having an income between 420 and 660 marks was 187,950. It would therefore seem that these nearly two hundred thousand persons either paid from 35 to 55 per cent. of their income for a minimum of house accommodation, or were altogether insufficiently housed, and had to content themselves with only a kitchen, or a room not heatable. The former alternative is more probable, as appears from the statistics contributed by Dr. Lindemann to the *Schriften der Verein für Social Politik*, 1901, where the "conception of a heatable room" is explained, and it transpires that the arrangement most frequently occurring in Berlin is the case of a single heatable room, without kitchen and without other rooms which are not heatable. This conclusion as to the pressure of rent may be widened by taking into account the rent for two heatable rooms, viz., 379 marks (*Berliner Jahrbuch* for 1903, p. 137), and the number of persons with incomes between 660 and 900 marks, viz., 176,116. We assume that the conclusion is not materially affected by the use of the date 1900 in one part of our premises and in another part 1902-3. In fact, we have reason to believe that if, instead of 231 and 379, there are substituted the figures proper to 1902-3 the argument will become *à fortiori*. (Cf. *Reichsarbeitsblatt*, Jahrg. 2, No. 7, p. 618.) We are assuming also that, as a rule, there is only one income-paying person in each household. This is perhaps not strictly true where there are lodgers (the exemption-minimum being so low as it is in Germany). But what mitigation of our conclusion may be required on this account is more than counterbalanced by the evils which are apt to arise

when family and lodgers herd together in very close quarters. The injury to morals and family-life in such conditions is by all accounts very serious.

THE statistics with which we are acquainted relating to the housing conditions of English workpeople are not of a sort to afford exact comparisons with corresponding conditions in Germany. *Prima facie*, the opinion expressed in the Blue Book that the conditions are worse in Germany seems probable. But the statement must be read in connection with the repeated cautions with which the Board of Trade has qualified its comparative statistics. *E.g.*, "the comparative welfare of the working classes in various countries in the broadest sense of the term cannot be determined by any statistical method" (*loc. cit.*, p. 229). "The problem of comparing the average level of wages in different countries is a very difficult and complex one" (p. 286). To one who interprets the statements of the Department in this spirit, it may appear that, even if the condition of the German worker in respect of housing is not proved to be worse, there is at least no proof of it being better than the condition of the corresponding class in England. The statistics present no clear and striking contrast, such as you may see in certain pictorial advertisements between two figures, the one drooping and meagre, the other erect and sleek; the difference, you are asked to believe, being due to the action of some patent medicine.

ONE broad fact stands out, that, as the money wages of the German, as compared with the British, working-man are much smaller, he obtains imports on the international market at a greater sacrifice, even if the addition made by tariffs to the price of imported commodities is left out of consideration.

A COMPARISON between the conditions of labour in Germany and England, not wholly to the disadvantage of the latter country, is suggested by a recent work of the eminent German statistician, Dr. Paul Mombert, *Das Nahrungswesen* (Jena: G. Fischer, 1904, p. 137. Reprinted from the *Handbuch der Hygiene*, edited by Dr. T. Weyhl). After an elaborate investigation of the "laws of nourishment," Dr. Mombert, applying the tests thus obtained, finds that *forty-four per cent.* of the Prussian population are insufficiently nourished. One may safely

(*ruhrig*), he says, extend this conclusion to the whole of Germany. This insufficiency of nourishment is connected by Dr. Mombert with the tariff. The existing tax on wheat and rye inflicts on a typical family a loss of 3·6 per cent. of income, which the new tariff brings up to 5·20 per cent. Similarly the loss by taxation on meat is already considerable, and is becoming much greater. The burden is aggravated by other imposts and impediments. Insufficiency of nourishment means inefficiency in the struggle of international competition.

THE comparison is not made more favourable to Germany by another contribution which Dr. Mombert has made to the statistics of nourishment, *Die Verschlechterung der Ernährungsverhältnisse der Arbeiterklasse in der letzten Jahren*, a paper reprinted from the *Archiv für Soziale Medizin und Hygiene*. It is here shown that there has been in recent years a serious rise in the price of meat, attended with falling wages and increased unemployment. A brighter prospect is persuasively presented by Professor Ashley in his just published *Progress of the German Working Classes*. Let us hope that the worst evils are but temporary, the transient symptoms of an industrial crisis.

MR. EDWARD ATKINSON, the well-known statistician, sends us a brochure in which, bringing previous computations up to date, he estimates the cost of war to the United States, from 1898 to 1905 (*sic*) as £1,200,000,000. It is not only the "white man's burden" but also the "brown man's wrongs" that are deplored.

A HIGHLY significant correspondence has passed between the Labour Representation Committee and Mr. Watson, the late Labour Premier of Australia. The difference in the attitude of the Labour parties in the two countries towards proposals for Colonial preferences is brought into clear relief by the following extracts from the correspondence. From the Labour Representation Committee to Mr. Watson (October 4th, 1904):—"It appears that the Australian Labour Party has decided to join with another political party for the purpose of persuading Australia to declare in favour of what are known as Mr. Chamberlain's fiscal proposals. . . . The talk of preference is altogether illusory, seeing that . . . your preference to us is only to be so much as is con-

sistent with your monopoly of your own market. . . . Every Labour political party in Europe is opposed to Protection." Turning to the political aspect of the proposals, the message states that the policy of the Australian Labour Party, "inasmuch as it amounts to an interference with our domestic affairs, makes for discord and disruption. . . . We firmly, but in a friendly spirit, make our protest. . . . Mr. Chamberlain's proposals will result in bringing strife where there is now harmony." The letter concludes with the hope that "our Labour friends in Australia will not commit themselves to a policy which will make organised labour in the Mother-land look upon their success with regret." Mr. Watson has replied that his followers have agreed to differ on the tariff question, but that he personally is strongly in favour of preferential trade. He then proceeds, that "it is incorrect to assert that Australia does not desire preference, because the majority of successful candidates at elections have advocated the principle."

THE cleavage of policy among European Socialists was clearly evident at the International Socialist Congress which met during August in Amsterdam. Here the conflict between the "revisionists" and the older school threw all other questions into the shade. Apart from difference in economic theory, the two schools seem to become more and more sharply distinguished in their immediate policy. While the older section maintains an attitude of equal indifference to all governments which are not Socialist, the "revisionists" are not unwilling to ally with, or even to enter, a ministry which will go some length in their direction. Monsieur Jaurès' adherence to the Combes Ministry in France is an example of the newer policy, and it was around his powerful figure that the battle raged. The position of his opponents is defined in the resolution which formed the basis of discussion, and which was finally carried. We quote only a part of it:—"The Congress repudiates to the fullest extent possible the efforts of the revisionists, which have for their object the modification of our tried and victorious policy based on the class war, and the substitution for the conquest of political power by an increasing attack on the *bourgeoisie* of a policy of concession to the established order of society. . . . Social Democracy can accept no participation in the government under *bourgeois* society." It seems that the more uncompromising policy tends to be most powerful in those countries where parliamentary government is least developed.

In Germany, for example, the Socialists, although their numbers are greater than in any other country, cannot directly affect actual legislation. They have, therefore, comparatively little to lose by an attitude of rigid independence. In France, on the other hand, a skilful use of their voting strength may lead to immediate reforms, and they are, consequently, more willing to enter into agreements with other parties. In defending his action, therefore, M. Jaurès demanded national autonomy in matters of policy. Although he was defeated, the vote was of little importance, as the Congress is not constituted on a really representative basis.

THE revised regulations for the Indian Civil Service examination were issued in August, and are to come into force in 1906. The marks assigned to "Political Economy and Economic History," whose position was at one time threatened, have been increased from 500 to 600. This may be regarded as satisfactory, since, although some other subjects have been even more favoured, a certain number, Political Science, Roman Law, English Law, General Modern History, and English Composition, are left with the same number of marks as before. In order to reduce the "cramming," which occurred when candidates were allowed to take up as many of the subjects as they wished, they are now prohibited from offering more subjects than could enable them to obtain a maximum of 6,000 marks.

THE new Faculty of Commerce in the University of Manchester is now in the midst of its work. The prospectus modestly claims that, although the training "is no substitute for experience, it should broaden the outlook, train the faculties to analyse new commercial and economic situations, and impart organised knowledge." For the degree of Bachelor of Commerce candidates must have attended classes extending over three years. The Master's degree is open to Bachelors of Commerce of three years' standing, who must submit a dissertation. The University also offers a "Higher Commercial Certificate," for which the course of work covers two years. Classes are being held in the evening, as well as during the day, in order that those who have already entered business may work for the degrees. The teaching staff has been strengthened by the inclusion of a number of business men to deal with railway transportation, the cotton industry, accounting, and the practice of banking.

THE British Association meets next year in South Africa. Members leave Southampton on July 22nd or 29th, and reach England again on October 7th, or one or two weeks earlier at option. The meeting opens at Cape Town on August 15th, and after four days the Association goes on tour to Durban, Johannesburg, Bloemfontein, Kimberley, Bulawayo, Zambesi, and back to Cape Town. The President of Section F is Dr. W. Cunningham, the recorder Mr. A. L. Bowley. Members obtain special terms from the Union Castle Line.

MR. STANLEY H. TURNER, Assistant to the Professor of Political Economy in the University of Glasgow, the author of the paper in the ECONOMIC JOURNAL (March, 1904) on "Depreciation in Municipal Undertakings," has been appointed to the post of Lecturer in Political Economy in the University of Aberdeen. Hitherto, economics has been taught only during the Summer Session in Aberdeen, and the class has not qualified for graduation. A full qualifying course has now been instituted.

WE are asked to mention that the journal, *Land Values*, quoted last month in Miss Dodd's article on "The Taxation of Land Values in Australasia," is the official organ of the British Associated Leagues for the Taxation of Land Values. It contains news of the Land Reform movement in every part of the world. It will be posted monthly to any address in Great Britain on receipt of an annual subscription of one shilling and sixpence.

At the opening of the 1904-5 session of the School of Sociology Mr. James Bonar, Chairman of the Executive Committee, gave an address on life in large cities, which is printed in the December number of the *Charity Organisation Review*.

CORRESPONDENCE

THE Editors have received the following letter from Mr. J. M. Ludlow :—

To the Editor of the ECONOMIC JOURNAL.

TRADE UNIONISM AND INDIVIDUALISTIC RADICALS.

SIR,—

In a paper on "the latest chapter in the History of Trade Unionism," by Mr. H. B. Lees-Smith, contained in your last number (p. 469), it is stated that "the group of middle-class sympathisers, Mr. Frederic Harrison, Prof. Beesley, Tom Hughes, and others who had assisted the Unions to win the Trade Union Charter in 1871 and 1876, consisted mainly of individualistic Radicals." Considering that Mr. Hughes was one of the first band of Christian Socialists, and that Mr. Harrison and Prof. Beesley were well-known Positivists, this statement appears to me a singular one.

I have always called myself a Radical, though not an "individualistic" one, and I venture to say that the teachings of the masters of economic science—Adam Smith, Say, Ricardo, Mill—in favour of the principle at least of working men's Trade Unions were generally ignored by "individualistic" Radicals until reminded of them by Christian Socialists. In a course of lectures organised by their "Society for Promoting Working Men's Associations" during the great engineers' strike and lock-out of 1852, for the first time, to the best of my knowledge, it was recommended that Trade Unions should be legalised in the same manner as Friendly Societies. A few years later, 1858, the "National Association for the Promotion of Social Science," then a powerful organisation, appointed a Committee on Trade Unions, which included amongst others almost all the leaders of the Christian Socialist movement, with some eminent Positivists; and the minority report, expressing in the main their views, recommended the legalising under the Friendly Societies Acts of what it termed the "simplest and universal function of Trade Unions, viz., the enabling the workman to maintain himself while casually out of employment or travelling in search of it"; the majority report only venturing so far as to say that the Legislature "might do much good service to workmen by providing an easy and cheap remedy, both in law and equity, to meet the case of disputes between trades' societies and the members, especially in respect to the application of benefit-funds." Finally my own conclusions, set forth at the close of the volume (p. 617), and going beyond what legislation has yet reached to,

began by expressing the belief "that all trade societies and employers' associations should be compelled to register their rules, and on their being certified not to be illegal should obtain legal means of protecting their funds, recovering subscriptions," &c. And when in 1869, as the result of a deputation to the Home Secretary, Mr. Bruce, afterwards Lord Aberdare, a short temporary Act was passed, the first, if I mistake not, on the Statute-book in which Trade Unions are spoken of *eo nomine*, and one which marks a turning point in their history, the Act "to protect the funds of Trades Unions from embezzlement and misappropriation," 32 and 33 Vict. c. 61, it was to one of the old Christian Socialists that the drafting of the Act was intrusted.

I gladly admit that, when they had been shown the way, "individualistic" Radicals learnt to support the claims of Trade Unionism. But its first and most strenuous outside allies were Radicals of the type of W. E. Forster, an early friend of the Christian Socialists, who used to come up from Yorkshire to attend their meetings, or A. J. Mundella, whose business was worked on anything but individualistic principles. In fact, the nearest approach to an "individualistic" Radical that I can think of among the supporters of the Trade Union claim to legal recognition was Mr. G. J. Lefevre, and I don't think he or any one else for him would claim the Chairman of the Society for the Preservation of Commons as a representative of the class. It was to a Conservative Government that the Trade Unions owed two most important Acts in their favour, the Conspiracy and Protection of Property Act, 1876 (38 and 39 Vict., c. 86), and the Employers and Workmen's Act, 1876 (38 and 39 Vict., c. 90). And Mr. and Mrs. Webb in their "History of Trade Unionism," p. 271, speak of the "bitter anger which had been created" about this period "by the obtuseness to the claims of labour of the Liberal leaders of the day. Not content with turning a deaf ear to all the representatives of the workmen, they had, with blundering ignorance, retained as Secretary of the Liberal Association of the City of London the Mr. Sidney Smith who had, since 1851, been the principal officer of the various associations of employers in the engineering and iron trades . . . a bitter and implacable enemy of Trade Unionism."

My memory may no doubt fail me, but I cannot call to mind one single "individualistic" Radical who was a friend to Trade Unionism in early days. Trade Unionism is, indeed, essentially anti-individualistic.

I am, Sir,

Your obedient servant,

J. M. LUDLOW

UPON this letter Mr. Lees-Smith offers the following comments:—

Mr. Ludlow appears to use the word "individualistic" in a rather restricted sense. When contrasting, as I was, the opinions of State

Socialists, such as Mr. Tom Mann, with those of a group of Radicals, I feel justified in distinguishing the latter as individualistic. Mr. Ludlow, however, I notice, would not allow me to say that Adam Smith and Ricardo were individualistic in comparison with Mr. Tom Mann. He quotes Mr. and Mrs. Webb's *History of Trade Unionism*, but he will find that eleven pages further on (p. 282) they use the term in the same sense as I have.

H. B. LEES-SMITH

RECENT PERIODICALS AND NEW BOOKS

The Economic Review.

October, 1904.

The Rural Exodus. Rev. Dr. F. W. BUSSELL. *Some Social Aspects of Spain.* Miss E. A. BARNETT. *The Housing of Cambridge.* H. CAYLEY. *The Choice of Employment for Boys.* Rev. S. J. GIBB. *The Co-operative Congress at Budapest.* H. W. WOLFF.

Journal of the Royal Statistical Society.

September, 1904.

Local Expenditure and Local Indebtedness in England and Wales R. J. THOMPSON. *Reports on the Production and Consumption of Meat and Milk in the United Kingdom.* (The reports of a Committee of the Statistical Society.) *Observation on the Production and Consumption of Meat and Dairy Products.* R. H. REW. (Referring to the reports printed in this number.) *Changes in Wages and Real Wages in Belgium.* Prof. E. MAHAIM. The changes in real wages are ascertained by an index number based on retail prices. *The Distribution of Women in Occupations.* Miss B. L. HUTCHINS.

The Nineteenth Century.

Shall we Restore the Navigation Laws? BENJAMIN TAYLOR. *The Pinnacle of Prosperity.* J. W. CROSS. *The Situation in Australia.* TOM MANN.

Contemporary Review.

September.

The Small Industries of France. ERIK GIVSKOF.

November.

Agricultural Research in England. A. D. HALL. An account of the experiments at Rothamstead.

National Review.

September.

The Slump in Shooting-Rents. C. J. CORNISH.

In the *Edinburgh Review* for October, 1904, in an article on *Mr. Chamberlain's Proposals*, current arguments for protection of Manufactures and Preferential Tariffs are found, even when legitimate in form, to be inapplicable under existing circumstances. Among brilliant points the following are noticeable. (1) As to Professor Ashley's argument based on the condition of the "miscellaneous industries": "Why should a check imposed upon steel imports transfer labour to British steelworks from sweating dens" rather than from those expanding industries which are of high grade? Why not employ the direct remedy of workshop regulations rather than a dubious and roundabout device? (2) It is argued by mathematical analysis that a given endowment to the Colonies can be conferred with less loss to the mother country by a bounty on imports from the Colonies than by a tax on imports from foreign countries.

The Independent Review.

October, 1904.

A Broad View of the Fiscal Controversy. LORD MONKSWEILL. A slashing denunciation of Mr. Chamberlain's policy. *Tramping as a Tramp.* R. G. K. ENSOR. Having tramped in the guise of a pauper from Moffat into County Durham, the writer (a distinguished *alumnus* of Oxford) records his experiences, with reflections unfavourable to existing arrangements.

In the *Women's Industrial News* for September, 1904, an article on *Equal Pay for Equal Work*, by Mrs. BARBARA HAMMOND, advocates that in cases where women "compete with men for the same work it should be urged on the men's Unions to admit women on a lower scale of pay which will compensate for such disadvantages as they possess. . . . The true equality would be reached when an employer pays his workers at such a rate that his choice of a man or a woman is dictated by suitability and not by cheapness."

In the *Scottish Historical Review* for July and October, 1904, Prof. W. R. SCOTT continues his description of Scottish Industrial Undertakings before the Union. [*Cf. ECONOMIC JOURNAL*, XIV. p.169.]

Quarterly Journal of Economics (Boston).

August, 1904.

- Ricardo's Theory of Value.* J. H. HOLLANDER. A development in Ricardo's theory is shown by reference to his *Letters* and successive editions of his *Principles*. *The Right to Labour.* JOHN BASCOM. A plea for combinations of labour. *The Distribution of Money.* O. M. SPRAGUE. The amount of money both within and without the banks in the United States has increased during the period of prosperity since 1896 (from about £300 to £480 millions); and the fiduciary circulation, as measured by deposits, loans, and clearings, even more rapidly. Increase of production with higher prices leads to higher wages, and higher wages to greater requirement for money. *The Inheritance Tax in the American Commonwealths.* S. HUEBNER. *What Determines the Value of Money.* CHARLES A. CONANT. The quantity theory is questioned. "There cannot be a change in general prices as the result of changes in the value of money, but only change in particular prices." "A decreasing rarity of money . . . will not leave other articles in exactly the original ratio of value among themselves." *The Movement of Wheat-growing.* C. W. THOMPSON. The cause of the westward movement of wheat farming and the size of the most economic wheat farm are shown by the vicissitudes of cultivation in the counties of Minnesota.

Political Science Quarterly (New York).

September, 1904.

- Monopoly and Tariff Reduction.* J. B. CLARK. *Municipal Accounts.* F. A. CLEVELAND. *The Street Trades.* J. C. GOLDMARK.

The Journal of Political Economy (Chicago).

September, 1904.

- Marginal Units in the Theory of Distribution.* J. A. HOBSON. Undeterred by criticism the writer renews his attack on the Marginal Shepherd. *The Trust Problem.* H. E. MONTGOMERY.

The Annals of the American Academy (Philadelphia).

September.

- Arbitration of Industrial Disputes.* E. E. CLARK. *The New Unionism.* W. E. WALLING. *Woman's Place in Industry.* . . . SOPHIE YUDELSON.

Journal des Économistes (Paris).

September, 1904.

Les Travaux parlementaires de la Chambre des Députés. A. LIESSE.
Chambres de travail ou Chambres ouvrières. COMBES DE LES-
 TRADE. *Mouvement scientifique et industriel.* D. BELLET.

October.

L'Expulsion des Morisques d'Espagne. E. CASTELOT. *La Protection
 des Faibles.* H. BOUËT. *Le Mouvement financier et commercial.*
 M. ZABLET.

November.

Le Régime futur du Gaz à Paris et le Projet de Régie directe. E.
 LÉTOURNEUR. *Les Français du Canada à l'Exposition de Saint-
 Louis.* LABORER.

Revue d'Économie Politique (Paris).

August—September, 1904.

Sur la Rente des Consommateurs. BELA AMBROSOVICS. (Continued and
 concluded.) *La Classe moyenne en Hongrie.* Le Comte DE MAILATH.
Un précurseur de Malthus: Giammaria Ortes. E. VILLEY. On the
 forgotten author of *Riflessioni sulla popolazione* (1790).

October—November, 1904.

Retraites ouvrières et Risque professionnel. A. BOISSARD. *L'Influence de
 la Monnaie et du Crédit sur les Prix.* L. DESCHESNE ("de la Royal
 Economic Society"). Our fellow-member makes a contribution to
 the "quantity" theory of money. *Le Communisme agraire de
 Robert Owen.* E. DOLLÉANS. *La Coopération au Danemark.* O.
 ROSENQVIST. *Chemins-de-fer Américains.* A. E. SAYOUS.

In the *Économiste Français* for September 10, M. A. RAFFALOVICH
 ably summarises *Bilder aus der Berliner Statistik*, by Professor
 Hirschberg, the director of the Berlin Statistical Bureau. In the issue
 for November 19, M. PIERRE LEROY-BEAULIEU referring to the sup-
 pression of the *Octroi* at Lyon draws a not encouraging lesson from
 the experience thus obtained.

Among numerous articles in the monthly issues of the *Revue
 Économique Internationale* (Brussels), we notice (October) *Progrès de
 l'Industrie Française*, by M. ÉMILE LEVASSEUR, showing from a review
 of different industries that the wealth of France has increased during
 the last thirty years. In the same number M. INAMA STERNEGG on

l'Économie du Monde moderne suggests a customs-union of continental European Powers to match the United States, the British Empire, and other agglomerations.

The *Bulletin de l'Institut International de Statistique*, Tom. XIV. liv. 2 (Berlin: Sittenfeld, Pp. 488), includes a paper by M. A. NEYMARCK on the best mode of presenting the accounts of companies (*sociétés anonymes*) for the purpose of international statistics. The report of the Commission on the Incidence of Customs Duties presents papers by M. P. DE ESSARS, M. LEVASSEUR, and others. M. RAFFA-LOVICH contributes a note on the difference observed between prices in home and foreign markets; for the United States fifty-four such differences, expressed as percentages of the home price [of which the median is 40]. Prof. BORTKIEWICZ discusses the method of the "Standard Population."

Jahrbücher für Nationalökonomie (Jena).

August, 1904.

Die rationelle Ausgestaltung der Matrikularbeiträge. H. KOPPE. *Das Steigen des Rupienkursen.* OTTO HEYN.

September.

Das Steigen des Rupienkursen. OTTO HEYN. (Continued and ended.) *Zur Besteuerung der Aktiengesellschaften in Oesterreich.* E. STEINITZER.

October.

Der Streit um den Charakter der allgermanischen Sozialverfassung. M. WEBER. *Zur Geschichte der Agrarkrisen.* H. LEVY.

In *Jahrbuch für Gesetzgebung* . . . (Leipzig), Prof. SCHMOLLER writes on *The Americans*, referring to Prof. Hugo Münsterberg's recent book.

The *Zeitschrift für die Gesamte Staatswissenschaft*, No. 4, 1904, has (*inter alia*) an article on the scholastic doctrine of *justum pretium*.

The *Archiv für Sozialwissenschaft und Sozialpolitik*, Band XIX. Heft. 3 (Sept. 1904) (Tübingen). *Dreizehn Jahre sozialen Fortschrittes in Neuseeland.* RICHARD H. HOOKER, London. *Gesetzgebung: Die neuere Kinderschutzgesetzgebung in Deutschland und in Grossbritannien.* Professor Dr. STEPHAN BAUER in Basel.

[We regret that we have not space to record all the recent articles of the leading German periodicals]

Giornale degli Economisti (Rome).

August, 1904.

Curve crescenti di ophelimità elementare e di domanda. U. RICCI. An increasing law of utility with an ascending demand curve sometimes occurs. [Cf. Cunyngame, *ECONOMIC JOURNAL*, Vol. II., p. 39.] *Il controllo sugli impegni delle pubbliche spese.* V. ZANGORRA.

September.

Tentativi di ricerca sulle funzioni di domanda e di offerta... P. BONINSEGNÌ. The simple case in which the indifference-curves relating to two commodities are linear for the parties on both sides of a market affords pretty illustrations of demand- and supply-curves. *Sulle statistica dei fallimenti.* A. CONTEUTO. *Sulle zone franche doganali.* V. GIUFFRIDA. French and Italian views on this palliative or expedient of Protectionism are set forth. *Sulla mortalità infantile in Italia.* F. CORRIDORE. Comparisons in respect of infantile mortality between different nations, sexes, seasons, between town and country, marriage and illegitimacy, are set forth. Ireland shows best. Italy is improving.

October.

Sul modo di ricavare la periodicità settimanale. P. BENINI. A study in deductive statistics. Given the frequency of marriages per month, there is deduced the frequency per week. *Sulla prescrizione dei biglietti di stato e di banca.* A. GASPAROTTO. *L'assicurazione obbligatoria per la maternità.* V. GOBBI. *La questione del vino meridionale.* A. BERTOLINI. *La speculazione e gli antichi trattatisti.* E. SELLA.

The August number of *La Riforma Sociale* contains an estimate of the "probable private riches of Italy," by F. S. NITTI; viz., £2,600,000,000. The relation between *Trusts* and *Protectionism* is discussed by CESARE HARNACK in later numbers.

In *De Economist* (La Hague) for September, 1904, the statistics of banking and trade in the United States are analysed by M. G. M. BOISSEVAIN.

Ekonomisk Tidskrift (Stockholm).

Dr. CASSEL, in the July number, treats of variations in the general level of prices. He considers an annual increase in the world's gold stock of 2.65 per cent. necessary to maintain the average price-level. Short-term fluctuations in prices are, he thinks, not to be traced to changes in gold-supply. In the September number, an interesting study of the export trade and the geographical distribution of Swedish industries is given by Hr. KEY-AABERG.

NEW BOOKS

ANONYMOUS. *A Corner in Gold and our Money Laws*. London: P. S. King. 1904. Pp. 200. 2s. 6d.

ASHLEY (PERCY). *Modern Tariff History*. Germany, United States, France. With a Preface by the Rt. Hon. R. B. Haldane. London: J. Murray. 1904. Pp. 367.

ASHLEY (Prof. W. J.). *The Progress of the German Working Classes in the Last Quarter of a Century*. London: Longmans. 1904. Pp. 164.

BURNLEY (J.). *The Story of British Trade and Industry*. London: Newnes. 1904. Pp. 224. 1s.

CARLILE (W. W.). *Economic Methods and Economic Fallacies*. London: E. Arnold. 1904. Pp. 284.

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